

ORIGINAL NEW APPLICATION



0000134698

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ADMITTED TO PRACTICE IN:
ARIZONA, COLORADO, MONTANA,
NEVADA, TEXAS, WYOMING,
DISTRICT OF COLUMBIA

February 21, 2012

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

W-02042A-12-0062

Re: Fools Hollow Water Company
Docket No. W-02042A-12-_____

To Whom It May Concern:

Enclosed for filing in the above-referenced proceeding are the original and thirteen (13) copies of a new Application on behalf of Fools Hollow Water Company.

Please advise me if you have any questions. Thank you for your assistance.

Sincerely,

Angela R. Trujillo
Assistant to
Lawrence V. Robertson, Jr.

Arizona Corporation Commission
DOCKETED

FEB 23 2012

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PHOENIX OFFICE: 2398 E. CAMELBACK RD., STE 240, PHOENIX AZ 85016 PH: (602) 358-7348 FAX: (602) 441-2779

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NEW APPLICATION

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

Arizona Corporation Commission

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GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

FEB 23 2012

DOCKETED BY

nr

W-02042A-12-0062

IN THE MATTER OF THE APPLICATION OF)
FOOLS HOLLOW WATER COMPANY FOR AN) DOCKET NO. W-02042A-12-____
OPINION AND ORDER (i) AUTHORIZING SALE)
AND TRANSFER OF WATER SYSTEM ASSETS,) APPLICATION OF FOOLS
AND (ii) CANCELLING CERTIFICATES OF) HOLLOW WATER COMPANY
CONVENIENCE AND NECESSITY.)

INTRODUCTION

On February 6, 2012, the undersigned counsel filed a Joint Application on behalf of Park Valley Water Company ("Park Valley") and Fools Hollow Water Company ("Fools Hollow") requesting an Opinion and Order of the Commission (i) authorizing the sale and transfer of the Park Valley and Fools Hollow water system assets to the City of Show Low ("Show Low") and (ii) cancelling the associated certificates of convenience and necessity related to each of the aforesaid water systems. In that regard, the Park Valley and Fools Hollow water systems (i) have the same ownership, (ii) are physically adjacent to one another and interconnected with one another, and (iii) are operated as one (1) water system pursuant to an October 15, 1986 Approval to Operate issued by the Arizona Department of Health Services.

On February 15, 2012, the undersigned counsel was advised by the Commission's Docket Control that the Commission's Hearing Division had determined that (i) separate Applications would need to be filed for Park Valley and Fools Hollow, respectively, and (ii) a Motion To Consolidate the two (2) separate Applications would need to be filed by Park Valley and Fools Hollow, respectively, with the Commission's Docket Control. During that same telephone conversation, the Commission's Docket Control representative and the undersigned counsel agreed that the Joint Application filed on February 6, 2012 would be deemed to be the

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1 Application of Park Valley, with the Docket Control designation of Docket No. W-01653A-12-
2 0043; and, the instant Application would be treated as the Application of Fools Hollow, which
3 would be assigned a separate Docket Control designation upon filing.

4 Accordingly, pursuant to A.R.S. § 40-285 and A.R.S. 40-282, Fools Hollow, by and
5 through its undersigned counsel, submits this Application for an Opinion and Order of the
6 Commission (i) authorizing the sale and transfer of the water system assets of Fools Hollow, and
7 (ii) cancelling the associated certificates of convenience and necessity. In support of its
8 Application, Fools Hollow submits the following information.¹

9 I.

10 BACKGROUND

11 In late November 2011, representatives of Park Valley and Fools Hollow and the City of
12 Show Low, Arizona ("Show Low") reached agreement on the substantive provisions of an Asset
13 Purchase and Sale Agreement ("Agreement"). The Agreement was executed by the President of
14 Park Valley and Fools Hollow on December 2, 2011, and by the Mayor of Show Low on
15 December 6, 2011, following unanimous approval of the Agreement by the Show Low City
16 Council on December 6, 2011. The Agreement provides for (i) the sale and transfer of Park
17 Valley's and Fools Hollow's respective water system assets to Show Low, subject to prior
18 approval by the Commission, and (ii) the cancellation of Park Valley's and Fools Hollow's
19 associated certificates of convenience and necessity.²

22 ¹ Inasmuch as Fools Hollow and Park Valley are (i) commonly owned, (ii) adjacent to one another and
23 interconnected with one another, (iii) operated as one system and (iv) requesting the same action(s) from the
24 Commission, the text of the remainder of this Application and the supporting Appendices are identical to that
25 contained in the aforesaid February 6, 2012 Joint Application, which was docketed in the name of Park Valley at
Docket No. W-01653A-12-0043. Fools Hollow believes that this approach will reflect the inter-related nature of the
Park Valley and Fools Hollow Applications, and also minimize the expense to the client of preparing two (2)
separate Applications.

26 ² Park Valley's currently certificated service area is the result of Commission Decision No. 31739 (August 12,
27 1959), Decision No. 38537 (June 9, 1966) and Decision No. 43620 (August 30, 1973). Fools Hollow's currently
28 certificated service area is the result of Commission Decision No. 39206 (October 13, 1967) and Decision No.
43619 (August 30, 1973). Copies of those decisions are attached hereto as Appendix "A" and incorporated herein
by this reference. Attached hereto as Appendix "B" and incorporated herein by this reference is a copy of a map
which depicts Park Valley's and Fools Hollow's certificated service areas (i) in relation to one another and (ii) in
relation to Show Low's water service area.

1 Park Valley currently provides water service to approximately 635 residential customers.
2 Fools Hollow currently provides water service to approximately 335 residential customers. At
3 present, a staff of two (2) employees oversees Park Valley's and Fools Hollow's water system
4 operations.

5 Show Low currently owns and operates a municipal water utility system, which provides
6 water service to approximately 5,500 residential and 600 commercial customers. At present, a
7 staff of fourteen (14) full-time employees oversees Show Low's water system operations.

8 As indicated in Appendix "B," Park Valley's and Fools Hollow's certificated water
9 service areas are adjacent to one another and located within Show Low's municipal water service
10 area. In that regard, both systems are in a geographic area which would allow Show Low to
11 integrate and strengthen its presence as a regional water provider. In addition, Show Low has
12 access to means for financing water system infrastructure additions and capital improvements
13 which are not available to Park Valley and Fools Hollow. Thus, Show Low would be in a
14 position to better accommodate future growth in Park Valley's and Fools Hollow's certificated
15 water service areas without an adverse impact on the level and quality of service Park Valley and
16 Fools Hollow currently provide to their respective customers. Finally, Park Valley and Fools
17 Hollow are owned by a Trust, the beneficiaries of which now desire to relieve themselves of the
18 day-to-day responsibilities of owning and operating two (2) water utilities, provided a qualified
19 and appropriate successor-in-interest can be found.³ In that regard, Park Valley and Fools
20 Hollow believe that Show Low is such a successor-in-interest.

21 Against the above background circumstances, and following arms-length negotiations,
22 duly authorized representatives of Park Valley and Fools Hollow and Show Low executed the
23 Agreement, a copy of which is attached hereto as Appendix "C," and incorporated herein by this
24 reference.

25
26 ³ Park Valley and Fools Hollow are owned by the James D. McCarty Living Trust ("Trust"). The Trust has twelve
27 beneficiaries. The beneficiaries (i) are at different points in their respective lives, (ii) have different needs and
28 objectives and (iii) live in several different locations, including some locations which are not proximate to the
certificated service areas and operations of Park Valley and Fools Hollow. Accordingly, the beneficiaries and
trustees of the Trust have concluded that it would be best if the Trust disposed of its ownership interest in Park
Valley and Fools Hollow, which are the only water companies that the Trust owns.

II.

ANTICIPATED FUTURE OPERATION OF
PARK VALLEY AND FOOLS HOLLOW'S WATER SYSTEMS

In the event of Commission approval of the Agreement and cancellation of Park Valley's and Fools Hollow's associated certificates of convenience and necessity for their respective water systems, it is anticipated that Show Low will commence its ownership and operation of Park Valley's and Fools Hollow's water systems in as seamless a manner as possible, with the objective of ensuring continuity and quality of water service to their respective customers.⁴ In that regard, it is Park Valley's and Fools Hollow's understanding that, prior to the actual transfer of water system assets and operating responsibilities as between the companies and Show Low, Show Low will engage in an outreach program with the companies' respective customers for the purpose of introducing itself to such customers. Finally, pursuant to Section 3.1 and Section 10.5.4 of the Agreement, Show Low will assume full responsibility for any obligations of Park Valley and Fools Hollow for water meter deposit or main extension agreement refunds which become due subsequent to closing of the water system(s) asset(s) transfer transaction. Pursuant to Section 3.1 of the Agreement, Park Valley and Fools Hollow shall refund all security deposits prior to closing.

III.

CURRENT RATE COMPARISONS AND ANTICIPATED
FUTURE RATE INCREASES; AND, SHOW LOW'S
ANTICIPATED CAPITAL IMPROVEMENTS

A. Current Rate Comparisons.

Attached hereto as Appendices "D" and "E" and incorporated herein by this reference are copies of Park Valley's and Fools Hollow's and Show Low's rate schedules, respectively. Park Valley's and Fools Hollow's current rates were approved by the Commission in 1998. Show Low's current rates were adopted by its Mayor and Council on May 17, 2011.

⁴ In that regard, Show Low intends to draw upon its positive customer transition experience acquired in connection with the 2010 acquisition of the water system assets and customers of Pineview Water Company, Inc. pursuant to Commission Decision No. 72288 (May 4, 2011).

As indicated below, Park Valley and Fools Hollow currently have a base rate of \$14.00 and a commodity rate of \$2.65 for each 1,000 gallons used. There is no usage allowance in this rate. The base rate for 5/8" and 3/4" meters in Show Low is \$24.00 and \$2.36 for each 1,000 gallons used above 5,000 gallons. As part of its May 17, 2011 rate resolution, Show Low's rates will increase on January 1, 2013 to a base rate of \$26.64 and \$2.62 for each 1,000 gallons used above 5,000 gallons. The first 5,000 gallons of usage is included in the base rate. Based upon the October 2011 feasibility study and economic analysis conducted by Wood/Patel for Show Low, there will be no need for a rate increase due to the purchase of the Park Valley and Fools Hollow systems, and all related operational costs and debt service requirements will be covered under Show Low's existing rates.

	<u>Show Low</u>	<u>Park Valley/ Fools Hollow</u>
Monthly Charge -- 5/8"		
Gallons Allowed	5,000	-
Total Charge	\$ 24.00	\$ 14.00
Volume Rate/000 Gal:		
0 - 5,000 Gal	-	2.65
5,001 -- Above	2.36	2.65
Average Monthly Usage		
Gallons	7,528	4,750

Based upon the information set forth above, the following table offers a side-by-side comparison of Park Valley's and Fools Hollow's and Show Low's respective existing rates and their impact on various usage levels. As may be noted, any current Park Valley or Fools Hollow customer utilizing 4,000 gallons or more per month will see a slight reduction in their monthly water rates. Given the fact that the average customer within each system utilizes 4,750 gallons of

water per month, that customer will see his/her water bill remain virtually unchanged, in the event that the proposed asset transfer is approved. As previously noted, Park Valley and Fools Hollow rates have not changed since 1998, and the current owners have concluded that but for this proposed sale they would be pursuing a rate increase.

	Park Valley/Fools	City of Show Low	
Gallons	Current	Current	Difference
	5/8" Meters		
0	\$14.00	\$24.00	\$10.00
1,000	16.65	24.00	7.35
2,000	19.30	24.00	4.70
3,000	21.95	24.00	2.05
4,000	24.60	24.00	(0.60)
5,000	27.25	24.00	(3.25)
6,000	29.90	26.36	(3.54)
7,000	32.55	28.72	(3.83)
8,000	35.20	31.08	(4.12)
9,000	37.85	33.44	(4.41)
10,000	40.50	35.80	(4.70)
11,000	43.15	38.16	(4.99)
12,000	45.80	40.52	(5.28)
13,000	48.45	42.88	(5.57)
14,000	51.10	45.24	(5.86)
15,000	53.75	47.60	(6.15)
16,000	56.40	49.96	(6.44)
17,000	59.05	52.32	(6.73)
18,000	61.70	54.68	(7.02)
19,000	64.35	57.04	(7.31)
20,000	67.00	59.40	(7.60)

B. Capital Improvements.

As outlined in the October 2011 Wood/Patel feasibility study, Show Low will be making capital improvements within the current Park Valley and Fools Hollow water service areas immediately upon acquisition of those systems, and over the next several years thereafter. In that regard, as part of its initial financing with WIFA, Show Low intends to spend up to

1 \$400,000 on interconnections, SCADA, chlorination and fire hydrants. Longer term
2 improvements estimated at \$2.6 million include upsizing lines to 8-inch PVC, adding additional
3 fire hydrants and PRV stations. Also included will be improvements to the wells and overall
4 storage, as these systems are integrated into the rest of Show Low's water system. Each of these
5 capital improvements will add to the reliability of the Park Valley and Fools Hollow systems and
6 benefit current and future customers of each system, as well as Show Low's current and future
7 customers.

8 IV.

9 MISCELLANEOUS

10 Attached hereto as Appendices "F" and "G," and incorporated herein by this reference,
11 are copies of Certificate(s) of Good Standing, attesting to the fact that both Park Valley and
12 Fools Hollow, respectively, are in good standing with the Commission.

13 Attached hereto as Appendix "H," and incorporated herein by this reference, is a copy of
14 a Water Provider Compliance Status Report from the Arizona Department of Water Resources
15 ("ADWR"), attesting to the fact Park Valley and Fools Hollow are each in compliance with
16 ADWR's applicable regulations. Pursuant to an October 15, 1986 Approval to Operate issued by
17 the Arizona Department of Health Services, Park Valley and Fools Hollow operate as "one
18 system." A copy of that Approval to Operate is attached hereto as Appendix "I" and is
19 incorporated herein by this reference.

20 Attached hereto as Appendix "J," and incorporated herein by this reference, is a copy of a
21 Compliance Status Report from the Arizona Department of Environmental Quality ("ADEQ"),
22 attesting to the fact that Park Valley and Fools Hollow are in compliance with ADEQ's
23 applicable regulations.

24 Attached hereto as Appendix "K" and incorporated herein by this reference, is a copy of a
25 Water Provider Compliance Status Report from ADWR attesting to the fact that Show Low's
26 municipal water system is in compliance with ADWR's applicable regulations.

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1 Attached hereto as Appendix "L" and incorporated herein by this reference, is a copy of a
2 Compliance Status Report from ADEQ attesting to the fact that Show Low's municipal water
3 system is in compliance with ADEQ's applicable regulations.

4 Attached hereto as Appendix "M," and incorporated herein by this reference, is a copy of
5 a Water Use Data Sheet, reflecting water consumption by Park Valley's and Fools Hollow's
6 customers, for the thirteen months ended November 25, 2011.

7 Finally, neither Park Valley's nor Fools Hollow's water system has an unaccounted for or
8 water loss in excess of the Commission's maximum guideline of ten percent (10%).

9 V.

10 CONCLUSION

11 For all of the foregoing reasons, Park Valley and Fools Hollow believe that the issuance
12 of an Opinion and Order by the Commission (i) authorizing the sale and transfer of Park Valley's
13 and Fools Hollow's water system assets to Show Low pursuant to the provisions of the
14 Agreement, and (ii) cancelling Park Valley's and Fools Hollow's associated certificates of
15 convenience and necessity would be consistent with the public interest.

16 WHEREFORE, Park Valley and Fools Hollow hereby request that the Commission issue
17 an Opinion and Order (i) authorizing the sale and transfer of Park Valley's and Fools Hollow's
18 water system assets to Show Low pursuant to the provisions of the Agreement, and (ii)
19 cancelling Park Valley's and Fools Hollow's associated certificates of convenience and
20 necessity.

21
22 Dated this 21st day of February 2012.

23 Respectfully submitted,

24 

25 Lawrence V. Robertson, Jr.
26 Of Counsel to Munger Chadwick, P.L.C.
27 Attorney for Fools Hollow Water Company
28

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ATTORNEY AT LAW
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Tubac, Arizona 85646
(520) 398-0411

1 Original and thirteen (13) copies of the
2 foregoing Application will be mailed for
3 filing this 21st day of February 2012 to:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, Arizona 85007

6 A copy of the foregoing will also be mailed
7 or emailed this same date to:

7 Lyn A. Farmer,
8 Chief Administrative Law Judge
9 Hearing Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

11 Steve Olea, Director
12 Utilities Division
13 Arizona Corporation Commission
14 1200 West Washington Street
15 Phoenix, Arizona 85007

15 Janice M. Alward, Chief Legal Counsel
16 Legal Division
17 Arizona Corporation Commission
18 1200 West Washington Street
19 Phoenix, Arizona 85007

18 
19 _____

Appendix “A”

**Park Valley/Fools Hollow and Show Low
(ACC Decisions Establishing Park Valley’s
and Fools Hollow’s CC&Ns)**

**Fools Hollow Water Company
Docket No. W-02042A-12-_____**

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF TED HANSEN AND MARGARET HANSEN, HUSBAND AND WIFE, DBA PARK VALLEY WATER COMPANY, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZING THE CONSTRUCTION MAINTENANCE AND OPERATION OF A WATER DISTRIBUTION SYSTEM IN NAVAJO COUNTY COVERING AN AREA OF APPROXIMATELY 72½ ACRES, MORE OR LESS, AND MORE SPECIFICALLY DESCRIBED HEREINAFTER.

DOCKET NO. U-1653

DECISION NO. 31739

OPINION AND ORDER

BY THE COMMISSION:

Notice having been given as provided by law, the above entitled matter came on for hearing before the Commission sitting in Phoenix, Arizona on July 23, 1959.

Applicants were represented by H. W. Lyle who presented testimony, both oral and documentary, and from the testimony, files and records in the matter, the Commission is of the opinion that applicants have complied with the statutes of Arizona and with the rules and regulations of the Commission for the issuance of a certificate of convenience and necessity.

The application was unopposed and in the opinion of the Commission, the application contemplates a service in the public interest.

WHEREFORE, IT IS ORDERED that the application be, and it is hereby, approved and this order shall constitute and be a certificate of convenience and necessity as contemplated by the provisions of Section 40-281, A. R. S., authorizing applicant herein to construct, operate, and maintain a public water system within the area described as the South Half (S½) of the Northwest Quarter (NW¼) of the Southeast Quarter (SE¼) of the Southwest Quarter (SW¼), and the North Half (N½) of the Southwest Quarter (SW¼) of the Southeast Quarter (SE¼) of the Southwest Quarter (SW¼), and the North Half (N½) of the Southeast Quarter (SE¼) of the Southwest Quarter (SW¼), and the Southeast Quarter (SE¼) of the Northeast Quarter (NE¼) of the Southwest Quarter (SW¼) of the Southwest Quarter (SW¼), and the West Half (W½) of the Northwest Quarter (NW¼) of the Southeast Quarter (SE¼) of the Southwest Quarter (SW¼), and the Southeast Quarter (SE¼) of the Northwest Quarter (NW¼) of the Southeast Quarter (SE¼) of the Southwest Quarter (SW¼), and the Southwest Quarter (SW¼) of the Southeast Quarter (SE¼) of the Southwest Quarter (SW¼) of the Southwest Quarter (SW¼).

Southeast Quarter (SE $\frac{1}{4}$) of the Southeast Quarter (SE $\frac{1}{4}$), and the North Half (N $\frac{1}{2}$) of the Southwest Quarter (SW $\frac{1}{4}$) of the Southeast Quarter (SE $\frac{1}{4}$), and the North Half (N $\frac{1}{2}$) of the South Half (S $\frac{1}{2}$) of the Southwest Quarter (SW $\frac{1}{4}$) of the Southeast Quarter (SE $\frac{1}{4}$), and the Southeast Quarter (SE $\frac{1}{4}$) of the Southeast Quarter (SE $\frac{1}{4}$) of the Southwest Quarter (SW $\frac{1}{4}$) of the Southeast Quarter (SE $\frac{1}{4}$), and the Northeast Quarter (NE $\frac{1}{4}$) of the Southeast Quarter (SE $\frac{1}{4}$) of the Southwest Quarter (SW $\frac{1}{4}$) of the Southwest Quarter (SW $\frac{1}{4}$) of Section 24, Township 10 North, Range 21 East, G&SR&M, Navajo County, Arizona, containing 72 $\frac{1}{2}$ acres, more or less.

The rates and charges which are approved and which shall be charged are as follows:

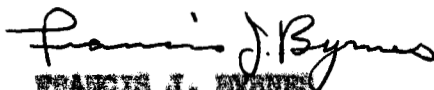
For the first 4,000 gallons or less of water for each consumer per month minimum\$5.00

For each 1,000 gallons in excess of the minimum gallons per month for each consumer \$1.00

All other rates and charges shall be in accordance with General Order U-4, Rules and Regulations for Domestic Water Companies, which became effective as of January 15, 1955.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, FRANCIS J. BYRNES, Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 12th day of August, 1959.


FRANCIS J. BYRNES
S E C R E T A R Y

BEFORE THE ARIZONA CORPORATION COMMISSION

MILTON J. HUSKY
Chairman
E. T. "EDDIE" WILLIAMS, JR.
Commissioner
DICK HERBERT
Commissioner

IN THE MATTER OF THE APPLICATION OF THE ESTATE OF TED HANSEN, DECEASED, TO TRANSFER TO MARGARET D. HANSEN, THE SURVIVING SPOUSE OF TED HANSEN, DECEASED, ALL THE DECEDENT'S INTERESTS IN THE FACILITIES AND OPERATING RIGHTS OF PARK VALLEY WATER COMPANY.

DOCKET NO. U-1653

DECISION NO. 38537

OPINION AND ORDER

BY THE COMMISSION:

The above entitled matter came on for hearing before the Commission sitting at Tucson, Arizona, on May 19, 1966. Applicant appeared by H. William Lyle, attorney, and no appearance was entered in opposition to the granting of the rights sought.

Evidence was adduced upon the application and from that evidence it is found as follows:


- 1) Ted Hansen, deceased, held an interest in Park Valley Water Company, and in that certificate of public convenience and necessity issued by this Commission in Decision No. 31739, issued on the 12th day of August, 1959.
- 2) The Superior Court of the State of Arizona in and for the County of Navajo, in cause No. 3122, by a decree settling first and final account reports and petition for distribution of estate, transferred to Margaret D. Hansen, as the surviving spouse of Ted Hansen all of the assets of the decedent.
- 3) The Commission's approval of the transfer and decree is in the public interest.

WHEREFORE IT IS ORDERED transferring to Margaret D. Hansen that certain certificate of public convenience and necessity, above described.

AND IT IS FURTHER ORDERED, pursuant to the above decree, approving the transfer of the assets of Park Valley Water Company to Margaret D. Hansen.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, GEORGE S. LIVERMORE,
Secretary of the Arizona Corporation Commission,
have hereunto set my hand and caused the official
seal of this Commission, to be affixed at the
Capitol in the City of Phoenix, this 9th day
of June 1966.


GEORGE S. LIVERMORE
SECRETARY

Mapping

BEFORE THE ARIZONA CORPORATION COMMISSION

AL FARON
Chairman
RUSSELL WILLIAMS
Commissioner
CHARLES H. GARLAND
Commissioner

IN THE MATTER OF THE APPLICATION
OF JAMES D. McCARTY AND DORIS
McCARTY dba PARK VALLEY WATER
COMPANY, FOR A CERTIFICATE OF
CONVENIENCE AND NECESSITY FOR
ADDITIONAL TERRITORY.

DOCKET NO. U-1653

DECISION NO. 43620

OPINION AND ORDER

On July 5, 1973, and after appropriate notice had been given to all interested parties, the above-captioned matter was heard before Hearing Officer Lawrence J. Evans, Jr., in Phoenix, Arizona; a transcript of that hearing has been prepared and submitted to the Commission.

Theodore W. Shumway, attorney at law, appeared as counsel on behalf of the applicant; James D. McCarty, husband of Doris McCarty and the responsible party for Park Valley Water Company, appeared and offered testimony in support of the application.

Barney Paulsen, Assistant Director of the Utilities Division, appeared on behalf of the Arizona Corporation Commission.

There were no other witnesses, or protestants or intervenors to the application at the hearing.

After having read the transcript and having considered thoroughly the evidence presented the Commission finds and concludes as follows:

FINDINGS OF FACT

1. Applicant James D. McCarty and Doris McCarty dba Park Valley Water Company, presently holds a certificate of convenience and necessity for the adjacent and contiguous territory to the south and to the east of the area sought in this application.
2. The area sought to be certificated is in private ownership; all owners of the individual parcels were notified of this proposed extension of territory.
3. Approximately 15 or 20 of the individual parcel owners in the area sought to be certificated have requested water service from the applicant.
4. Additional landowners in the area sought to be certificated are in the process of building summer homes and a public service water utility will be needed when these homes are completed.

Decision No. 43620

5. The only land not included in Section 24 for this water company will be a small portion in the southeast corner that is U.S. Forest Service land for which a special use permit is required.

6. The Board of Supervisors of Navajo County on May 8, 1973 granted applicant the right, privilege, license and franchise for the laying of pipes, conduits, mains and other property for the purpose of supplying water for domestic and commercial use for one portion of the additional territory sought to be certificated and by Resolution No. 1, dated April 2, 1973, approved the transfer of the franchise previously granted to Pineheaven Water Company to Park Valley Water Company for the remainder of the territory sought to be certificated.

7. Applicant proposes to charge the rates it now has on file with this Commission for water sold in its other certificated area immediately adjacent and contiguous to the additional territory sought to be certificated. These present rates are:

MINIMUM: \$5.00 for the first 4,000
gallons of water consumed
by each customer each month.

RATE: \$1.00 for each 1,000 gallons
consumed in excess of the
4,000 gallons allowed in the
minimum.

8. Applicant's total assets as indicated in their financial statement as of December 31, 1972 were \$306,798.00.

CONCLUSIONS OF LAW

1. There is a present public need and necessity in the area applied for and the granting of an extension of territory to the certificate of convenience and necessity presently held by James D. McCarty and Doris McCarty dba Park Valley Water Company is in the best interests of all parties concerned, including the prospective consumers and the residents of the adjacent and contiguous areas.

2. James D. McCarty and Doris McCarty dba Park Valley Water Company are fit and proper persons to assume the obligations of an extension of territory to the certificate of convenience and necessity they presently hold.

3. James D. McCarty and Doris McCarty dba Park Valley Water Company are presently solvent and able to perform their obligations if granted the extension of territory to the certificate of convenience and necessity they presently hold.

Decision No. 43620

WHEREFORE, IT IS ORDERED: that James D. McCarty and Doris McCarty dba Park Valley Water Company be granted an extension of territory to the certificate of convenience and necessity they presently hold, in that area of Navajo County described as:

N1/2; N1/2, S1/2; W1/2, SW1/4 SW1/4;
N1/2 NE1/4 SW1/4 SW1/4; SW1/4 NE1/4
SW1/4 SW1/4; NW1/4 SE1/4 SW1/4 SW1/4;
S1/2 SE1/4 SW1/4 SW1/4; N1/2 NW1/4
SE1/4 SW1/4; NE1/4 SE1/4 SW1/4; S1/2
S1/2 SE1/4 SW1/4; S1/2 SW1/4 SW1/4
SE1/4; SW1/4 SE1/4 SW1/4 SE1/4; all
in Section 24, Township 10 North,
Range 21 East, Gila and Salt River
Base and Meridian, County of Navajo,
State of Arizona.

checked

IT IS FURTHER ORDERED: that the present rate schedule followed by James D. McCarty and Doris McCarty dba Park Valley Water Company with respect to its present service area shall be employed in the additional area to be certificated.

IT IS FURTHER ORDERED: that all services shall be metered at the time of the initial connection.

IT IS FURTHER ORDERED: that water rates shall not be adjusted to reflect increases or decreases in taxes or other governmental impositions, including ad valorem property taxes, but that future adjustments to the above approved water rates will be only after proper application, review, public hearing, decision and order of this Commission.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

Al F...
CHAIRMAN

Russell Williams
COMMISSIONER

Charles...
COMMISSIONER

IN WITNESS WHEREOF, I, GEORGE M. DEMPSEY, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol, in the City of Phoenix, this 30th day of August, 1973.

George M. Dempsey
GEORGE M. DEMPSEY
S E C R E T A R Y

Map Room

BEFORE THE ARIZONA CORPORATION COMMISSION

E. T. "EDDIE" WILLIAMS, JR.
CHAIRMAN
DICK HERBERT
COMMISSIONER
MILTON J. HUSKY
COMMISSIONER

IN THE MATTER OF THE APPLICATION OF FOOLS HOLLOW WATER COMPANY
FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO CONSTRUCT,
OPERATE AND MAINTAIN A WATER SYSTEM IN NAVAJO COUNTY, ARIZONA.

DOCKET NO. U-2042

DECISION NO. 39206

OPINION AND ORDER

BY THE COMMISSION:

Notice having been given as provided by law, the above entitled matter came on for hearing before the Commission and was partially heard on September 29, 1967, and concluded on October 3, 1967.

Evidence was adduced at said hearing and from that evidence the Commission finds that the applicant has complied with the laws of the State of Arizona, and the rules and regulations of the Commission for the issuance of a certificate of convenience and necessity for the operation of a public water system.

WHEREBY IT IS ORDERED that the application is hereby approved and this order shall constitute a certificate of convenience and necessity authorizing applicant to construct, operate and maintain in conformity with the laws of the State, and the rules, regulations and orders of the Commission, a public water system within the area described as NW $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$; E $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$; SW $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$; E $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$; SE $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$; NW $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$; SW $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$; NE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$; N $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$; N $\frac{1}{2}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$; S $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$; S $\frac{1}{2}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$; S $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$; SW $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$; S $\frac{1}{2}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$; W $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$; NW $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$; NE $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$; SE $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$, All located in Section 13, Township 10 North, Range 21 East, G&SRB&M., Navajo County, Arizona.

IT IS FURTHER ORDERED that the rates and charges for water sold shall be:

Monthly
Service Charges

5/8" Meters	\$4.00
3/4" "	5.00
1" "	7.00
1 1/2" "	12.00
2" "	18.00

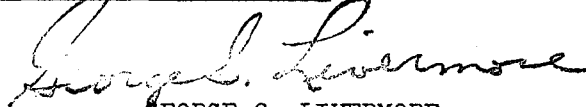
No water supplied with Service Charge

Consumption Charges

75¢ per thousand gallons.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, GEORGE S. LIVERMORE,
Secretary of the Arizona Corporation Commission,
have hereunto set my hand and caused the official
seal of this Commission, to be affixed at the
Capitol in the City of Phoenix, this 13th day
of October 1967.



GEORGE S. LIVERMORE
SECRETARY

Mapping

BEFORE THE ARIZONA CORPORATION COMMISSION

AL FARON
Chairman
RUSSELL WILLIAMS
Commissioner
CHARLES H. GARLAND
Commissioner

IN THE MATTER OF THE APPLICATION)
OF BALDWIN-McCARTY, INC., dba)
FOOLS HOLLOW WATER COMPANY, FOR)
A CERTIFICATE OF CONVENIENCE AND)
NECESSITY FOR ADDITIONAL TERRITORY.)

DOCKET NO. U-2042

DECISION NO. 43619

OPINION AND ORDER

On July 5, 1973, and after appropriate notice had been given to all interested parties, the above-captioned matter was heard before Hearing Officer Lawrence J. Evans, Jr., in Phoenix, Arizona; a transcript of that hearing has been prepared and submitted to the Commission.

Theodore W. Shumway, attorney at law, appeared as counsel on behalf of the applicant; James D. McCarty, general manager of Baldwin-McCarty, Inc. dba Fools Hollow Water Company, appeared and offered testimony in support of the application.

Barney Paulsen, Assistant Director of the Utilities Division, appeared on behalf of the Arizona Corporation Commission.

There were no other witnesses, or protestants or intervenors to the application at the hearing.

After having read the transcript and having considered thoroughly the evidence presented the Commission finds and concludes as follows:

FINDINGS OF FACT

1. Applicant, Baldwin-McCarty, Inc. dba Fools Hollow Water Company, presently holds a certificate of convenience and necessity for the contiguous territory immediately between the two areas sought in this application.

2. The land to the east and the land to the west, all in Section 13, Township 10 North, Range 21 East, Gila and Salt River Base and Meridian, Navajo County, of the applicant's presently certificated area is in private ownership and the owners thereof have made numerous requests to the applicant to be served water by applicant.

Decision No. 43619

3. Applicant presently has approximately 80 consumers in the existent certificated area and, with the additional revenue provided from the prospective customers in the additional territory is prepared to enlarge the system and water storage facilities when necessary.

4. The Board of Supervisors of Navajo County on May 8, 1973 granted applicant a county franchise for the right, privilege, license and franchise for the laying of water pipes, mains, conduits and other property to supply water for domestic and commercial use within the confines of the additional territory sought to be certificated.

5. Applicant proposes to charge the rates it now has on file with this Commission for water sold in its other certificated area immediately adjacent and contiguous to the additional territory sought to be certificated. These present rates are:

MONTHLY SERVICE	5/8" Meters	\$4.00
CHARGE:	3/4" "	5.00
(No water supplies	1" "	7.00
with Service Charge)	1 1/2" "	12.00
	2" "	18.00

MINIMUM: Flat rate of \$.75 per each
1,000 gallons consumed per
customer per month.

6. Applicant's corporate financial statement, filed with the Incorporating Division of this Commission for the corporate fiscal year ending May 31, 1972, indicates total assets of \$56,952.00. It must be noted, however, that this financial statement includes an intangible asset of "Goodwill" in the amount of \$33,378.00.

CONCLUSIONS OF LAW

1. There is a present public need and necessity in the area applied for and the granting of an extension of territory to the certificate of convenience and necessity presently held by Baldwin-McCarty, Inc. dba Fools Hollow Water Company is in the best interests of all parties concerned, including the prospective consumers and the residents of the adjacent and contiguous areas.

2. Baldwin-McCarty, Inc. dba Fools Hollow Water Company is a fit and proper entity to assume the obligations of an extension of territory to the certificate of convenience and necessity it presently holds.

Decision No. 43619

3. Baldwin-McCarty, Inc. dba Fools Hollow Water Company is presently solvent and able to perform its obligations if granted the extension of territory to the certificate of convenience and necessity it presently holds.

WHEREFORE, IT IS ORDERED: that Baldwin-McCarty dba Fools Hollow Water Company be granted an extension of territory to the certificate of convenience and necessity it presently holds, in that area of Navajo County described as:


The East 1/2 of the East 1/2; the East 1/2 of the West 1/2 of the East 1/2; the Southwest 1/4 of the Southwest 1/4 of the Southeast 1/4; the West 1/2 of the Southeast 1/4 of the Southwest 1/4; the West 1/2 of the Southwest 1/4; the West 1/2 of the Southwest 1/4 of the Northwest 1/4; the Southwest 1/4 of the Northwest 1/4 of the Northwest 1/4; the West 1/2 of the Southeast 1/4 of the Northwest 1/4 of the Northwest 1/4; the West 1/2 of the Northeast 1/4 of the Southwest 1/4 of the Northwest 1/4; the Southeast 1/4 of the Southwest 1/4 of the Northwest 1/4; the West 1/2 of the West 1/2 of the Southwest 1/4 of the Southeast 1/4 of the Northwest 1/4; the West 1/2 of the Northeast 1/4 of the Northeast 1/4 of the Southwest 1/4 of the Northwest 1/4; the Southeast 1/4 of the Northeast 1/4 of the Southwest 1/4 of the Northwest 1/4; all in Section 13, Township 10 North, Range 21 East, Gila and Salt River Base and Meridian, Navajo County, Arizona.

IT IS FURTHER ORDERED: that the present rate schedule followed by Baldwin-McCarty, Inc. dba Fools Hollow Water Company with respect to its present service area shall be employed in the additional area to be certificated.

IT IS FURTHER ORDERED: that all services shall be metered at the time of the initial connection.

IT IS FURTHER ORDERED: that water rates shall not be adjusted to reflect increases or decreases in taxes or other governmental impositions, including ad valorem property taxes, but that future adjustments to the above approved water rates will be only after proper application, review, public hearing, decision and order of this Commission.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN

COMMISSIONER


COMMISSIONER

Decision No. 43619

IN WITNESS WHEREOF, I, GEORGE M. DEMPSEY,
Secretary of the Arizona Corporation Com-
mission have hereunto set my hand and caused
the official seal of the Arizona Corporation
Commission to be affixed at the Capitol, in
the City of Phoenix, this 30th day of
August, 1973.


GEORGE M. DEMPSEY
S E C R E T A R Y

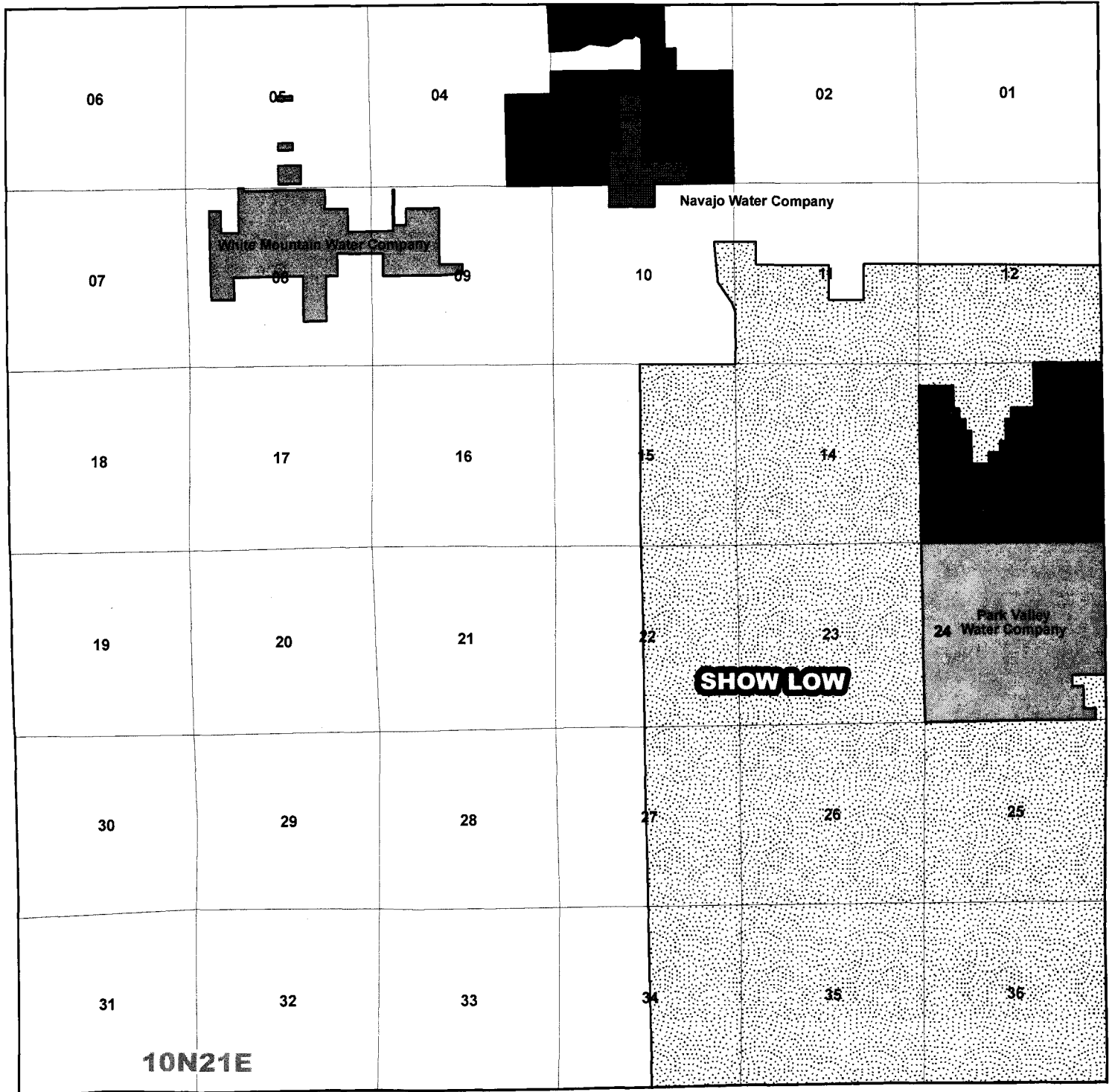
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Appendix “B”

**Park Valley/Fools Hollow and Show Low
(Map of Park Valley’s and Fools Hollow’s
Certificated Service Areas)**

**Fools Hollow Water Company
Docket No. W-02042A-12-_____**

NAVAJO COUNTY



Appendix “C”

**Park Valley/Fools Hollow and Show Low
(Asset Purchase and Sale Agreement)**

**Fools Hollow Water Company
Docket No. W-02042A-12-_____**

Asset Purchase and Sale Agreement

This Asset Purchase and Sale Agreement (the "Agreement"), dated this 6th day of December, 2011, is entered into by and between PARK VALLEY WATER COMPANY, INC. AND FOOLS HOLLOW WATER COMPANY, INC., (hereinafter collectively "Seller"), and THE CITY OF SHOW LOW, an Arizona Municipal Corporation (hereinafter "Buyer").

1. Recitals.

- 1.1 Seller consists of two (2) public service corporations that are Arizona corporations doing business in Navajo County, Arizona. Park Valley Water Company, Inc. provides public water utility services to approximately 635 customers. Fools Hollow Water Company, Inc. provides public water utility services to approximately 335 customers. Seller owns the assets listed as **Exhibit "A"** to this Agreement and desires to sell the same to Buyer. Seller operates as two (2) Arizona public service corporations under separate Certificates of Convenience and Necessity issued by the Arizona Corporation Commission ("ACC") in Decision Nos. 31739 (August 12, 1959), 38537 (June 9, 1966) and 43620 (August 30, 1973) for Park Valley Water Company; and, Decision Nos. 39206 (October 13, 1967) and 43619 (August 30, 1973) for Fools Hollow Water Company, Inc., copies of which are attached hereto as Exhibit D. Seller desires to sell the assets listed on Exhibit "A" to Buyer upon the terms and conditions set forth herein.
- 1.2 Buyer is an Arizona municipal corporation authorized to provide water service pursuant to A.R.S. § 9-511 and desires to purchase Seller's water system and associated real property from Seller upon the terms and conditions set forth herein.

NOW THEREFORE, the parties hereby agree as follows:

2. Definitions.

- 2.1 The following capitalized words used in this Agreement shall have the meanings set forth below:
 - 2.1.1 **Accounts Receivable:** Any right for the payment to Seller for services or goods provided or rendered by Seller prior to the Closing or within thirty (30) days of closing, whether or not evidenced by an instrument or chattel paper, arising out of or in any way related to the Business.
 - 2.1.2 **Aid in Construction Agreements:** All ACC-approved main or line extension agreements between Seller and third parties, being those included in **Exhibit "B"** hereto.

- 2.1.3 Assets: Collectively, the Real Property, Goodwill, Improvements, Equipment, Inventory, Contract Rights, Licenses, Certificates, Warranties and Guarantees, and Records owned and used by Seller in connection with the Business, to be sold by Seller and purchased by Buyer pursuant to this Agreement, as described on Exhibit "A" hereto; provided, however, Assets shall not include Accounts Receivable and cash on hand or in any bank/brokerage accounts at Closing. The Assets shall also include all water rights and claims for water rights, if any, whether filed or not, associated with the real property listed in Exhibit H hereto or used to provide water to any of Seller's customers as of the Closing.
- 2.1.4 Assignment and Assumption of Contract Rights: Those certain documents to be given by Seller to Buyer assigning all of Seller's interest in the Contract Rights, and the Buyer's assumption of all obligations under the Contract Rights, and assigning all of Seller's interest in the Goodwill, Licenses, Certificates, Warranties and Guarantees that are transferable. See Exhibit I.
- 2.1.5 Bill of Sale: That certain document to be given by Seller to Buyer conveying all of Seller's interest in and to the Equipment, Inventory and Records, a copy of which is attached hereto as Exhibit "C".
- 2.1.6 Business: The water utility business known as Park Valley Water Company, Inc. and the Fools Hollow Water Company, Inc. (collectively "Park Valley/Fools Hollow") currently (i) owned and operated by Seller as a public service corporation and (ii) engaged in the sale of water for domestic, commercial and other uses in the Certificated Area pursuant to the Certificates issued by the ACC, and the provision of other related services in connection therewith.
- 2.1.7 Buyer: City of Show Low, a municipal corporation under the laws of the State of Arizona, or its nominee or assign.
- 2.1.8 Certificates: The Certificates of Convenience and Necessity ("CC&N") issued by the ACC in the Decisions listed on Exhibit "D" hereto, authorizing Seller to engage as a public service corporation in the sale of water for domestic, commercial and other uses in the Certificated Area.
- 2.1.9 Certificated Area: The geographic area set forth on Exhibit "E" in

which Seller conducts its Business which area is more particularly shown on the map attached hereto as **Exhibit "F"**, which map is for the purpose of showing the boundaries of the Certificated Area.

- 2.1.10 **Closing:** That point in time when (a) all of Seller's obligations and Buyer's obligations hereunder have been fulfilled; (b) the Escrow Agent has received all required funds and documents from the parties; and (c) the Escrow Agent disburses all of the sale's proceeds and records the Transfer Instrument as required by this Agreement.
- 2.1.11 **Commitment:** The Commitment for Title Insurance issued by Title Insurer for standard coverage title insurance showing status of title to the Real Property as of the date of the Commitment.
- 2.1.12 **Contract Rights:** The right to have services, goods or Equipment provided to the Business by third persons, including, without limitation, any leases of Equipment by Seller.
- 2.1.13 **Creditors:** Any and all persons or entities to whom Seller owes money, goods or services.
- 2.1.14 **Equipment:** Tangible personal property, whether affixed or not to the Real Property, which has been acquired by or is under lease to Seller for use primarily in the Business, including but not limited to all equipment used in the operation of wells, storage reservoirs, booster stations, transmission mains and distribution systems, office equipment, billing software (continental system) and motor vehicles, as listed in **Exhibit "G"** hereto.
- 2.1.15 **Escrow Agent:** Lawyers Title Agency of Arizona, Inc. 1500 East Woolford, Show Low, AZ 85901.
- 2.1.16 **Feasibility Period:** The period beginning upon the Opening of Escrow and ending five (5) days after obtaining all Regulatory Approvals.
- 2.1.17 **Goodwill:** The goodwill of the Business.
- 2.1.18 **Improvements:** Wells, storage reservoirs, booster stations, transmission mains, and distribution systems, and any other structures or tangible property used by Seller in connection with its water system operations.
- 2.1.19 **Inventory:** Goods that are held by Seller as of the Closing for the

treatment of water or otherwise used or consumed in the ordinary course of operating the Business.

- 2.1.20 License: Those rights to use the public rights of way of Navajo County, Arizona granted to Seller, which rights are to be transferred to Buyer at Closing.
- 2.1.21 Opening of Escrow: The date upon which a fully executed copy of this Agreement is delivered to the Escrow Agent.
- 2.1.22 Permitted Encumbrances: All matters of record approved by Buyer during the Feasibility Period with respect to the Real Property.
- 2.1.23 Purchase Price: The Purchase Price for the purchase and sale of the Assets which are the subject of this Agreement shall be One Million Five Hundred Thirty-Six Thousand Dollars (\$1,536,000).
- 2.1.24 Real Property: The real property legally described in Exhibit "H" hereto, including all well sites, storage reservoirs, booster stations, transmission mains and distribution systems located within the Certificated Area, together with all the rights, easements, licenses and appurtenances pertaining thereto, including without limitation, any right, title and interest of Seller in and to adjacent streets, rights of way, and all Improvements located on or appurtenant thereto which are used by Seller in the Business.
- 2.1.25 Records: All of Seller's service agreements, service repair records, water treatment records, hydrology and assured water supply studies and reports (if any), Arizona Department of Water Resources ("ADWR") filings and correspondence, ACC filings and correspondence, Arizona Department of Environmental Quality ("ADEQ") filings and correspondence, customer data base information (including master file information, billing and payment histories, and complaints), meter reading information, and any other documents arising out of or in any way related to the Business of the Assets.
- 2.1.26 Seller: Collectively referred to herein, "Seller" is the Park Valley Water Company, Inc. and the Fools Hollow Water Company, Inc.
- 2.1.27 Title Insurer: Lawyers Title Insurance Corporation.
- 2.1.28 Transfer Instruments: Those instruments customarily required for the transfer of the Assets, including, but not limited to:

- 2.1.28.1 Warranty Deed;
- 2.1.28.2 Assignment of Easements and Property Rights;
- 2.1.28.3 Assignment of Water Rights and Well Registrations;
- 2.1.28.4 Affidavit of Value;
- 2.1.28.5 Foreign Investment in Real Property Tax Act Affidavit;
- 2.1.28.6 Bill of Sale;
- 2.1.28.7 Assignment and Assumption of Contract Rights.

2.1.29 Warranties and Guarantees: Any and all existing warranties and/or guarantees affecting the Improvements, or any features thereof and any personal property located therein or thereon, and any and all existing warranties and/or guarantees affecting the Equipment, which shall be conveyed to Buyer at the Closing.

3. **Conveyance of Assets.** Subject to the terms, conditions and limitations set forth in this Agreement, on the Closing Date, Seller shall sell, assign, transfer, convey, and deliver to Buyer, and Buyer shall purchase, acquire and accept from Seller the Assets.

3.1 Deposits and Payments. The Assets include any funds held by Seller as refundable deposits as of Closing for which a refund is not then due, including deposits for water meter installations; provided, however, Seller shall refund all security deposits prior to Closing. With the exception of payments relating to final bills prepared by Seller pursuant to Section 15, all payments for water service received by Seller after Closing shall be assigned to Buyer and shall belong to Buyer and be transmitted to Buyer in a timely manner.

3.2 Equipment, Inventory and Records. Seller shall provide on or before the Closing a Bill of Sale conveying all of Seller's right, title and interest in and to the Assets described in Exhibit A, including all Equipment, Inventory and Records, in the form attached hereto as Exhibit "C". Buyer and Seller agree to execute and deliver such other instruments of conveyance and transfer as may be reasonably requested or necessary to convey and transfer to, and vest the Assets in Buyer.

3.3 Contract Rights; Goodwill; Licenses, Certificates, Warranties and Guarantees. The Contract Rights shall be assigned by Seller and assumed by Buyer, and the Goodwill, Licenses, Certificates, Warranties and Guarantees that are transferable shall be assigned by Seller to Buyer, at Closing by the execution and delivery by Seller and Buyer of the

Assignment and Assumption of Contract Rights. The Assignment and Assumption of Contract Rights shall include a list identifying all Contract Rights assigned to and assumed by Buyer and shall be substantially in the form of **Exhibit "I"** hereto. Buyer shall not be obligated to assume any contracts not disclosed by Seller and specifically assumed by Buyer prior to Closing, provided, however, Buyer shall assume all Contract Rights associated with conduct of the Business.

- 3.4 Real Property.** The Real Property described in Exhibit H shall be conveyed at Closing by the execution and delivery by Seller of the Warranty Deed, together with any required Affidavit of Property Value in the form attached hereto as **Exhibit "J"**, an Assignment of Easements and Property Rights and an Assignment of Water Rights and Well Registrations. The Warranty Deed shall be substantially in the form attached hereto as **Exhibit "K"**. On or prior to the expiration of the Feasibility Period, Seller and Buyer shall use good faith efforts to agree in writing on forms of Assignment and Easements and Property Rights and Assignment of Water Rights and Well Registrations. Seller shall deliver the Real Property at Closing to Buyer subject only to Permitted Encumbrances. Within a reasonable time after Closing, Escrow Agent shall furnish the Buyer with the Title Insurer's Standard Owner's Policy of Title Insurance in the amount of One Million Five Hundred Thirty-Six Thousand Dollars (\$1,536,000), subject only to Permitted Encumbrances (the "Owner's Title Policy"), or with an ALTA Extended Coverage Owner's Policy if so requested and paid for by Buyer.
- 3.5 Expenses.** All expenses attributable to the ownership of the Assets, including but not limited to, real and personal property taxes, shall be prorated and apportioned between Buyer and Seller as of Closing, with Buyer being responsible for all such expenses on and after Closing and Seller being responsible for all such expenses prior to Closing.
- 3.6 Escrow.** Buyer and Seller shall each pay an equal share of the escrow fee. All other costs and expenses of closing, including recording fees and charges, are to be allocated between Seller and Buyer according to the custom and practice of Escrow Agent in Navajo County.
- 3.7 Limitations.** The purchase of the Assets pursuant hereto shall not constitute a purchase of Seller as a corporate entity by Buyer nor render Buyer a successor-in-interest to Seller as to Seller's corporate identity and status. This Agreement is limited to the purchase and sale of the Assets only and Buyer is not assuming any liabilities of Seller with respect to the Assets or the Business that may exist at any time prior to their transfer hereunder unless otherwise specifically set forth herein. Buyer shall have no

obligation of any kind under any contract or obligation assumed by Seller unless disclosed to, and assumed by, Buyer, as provided herein. The provisions of this **Section 3.7** shall survive Closing.

4. Commitment; Information from Seller; Feasibility Period.

- 4.1 Delivery of Materials. Delivery of Commitment.** Within five (5) days following the Opening of Escrow, the Escrow Agent shall deliver the Commitment to Buyer and Seller together with legible copies of all documents listed as exceptions therein.
- 4.2 Delivery of Other Information.** Within ten (10) business days following the Opening of Escrow, Seller shall deliver to Buyer copies of (a) all employment, service, operations, maintenance and supply contracts affecting or pertaining to the Real Property, Equipment, Improvements, Inventory or the Business conducted thereon; (b) the Warranties and Guarantees (if any), together with any related insurance policies or binders; (c) all environmental studies and assessments, and regulatory filings and reports concerning the Assets or the Business, including, but not limited to, ADEQ, ADWR and ACC utility and corporate filings; (d) customer data required by Buyer to establish accounts prior to date of closing; and (e) all similar or relevant information and documentation requested by Buyer or which could reasonably affect or influence Buyer's use of the Assets for the purposes for which they are being acquired.
- 4.3 Feasibility Period.** For a period of sixty (60) calendar days beginning upon the Opening of Escrow, Buyer shall have the right to enter upon the Real Property with Buyer's representatives and agents for the purpose of testing, examining and investigating the Assets. Buyer shall have the right during the Feasibility Period to terminate this Agreement if Buyer is dissatisfied, in Buyer's sole and absolute discretion, with the feasibility of the Assets for Buyer's purposes. On or before the expiration of the Feasibility Period, Buyer shall give written notice to Seller and Escrow Agent of its election whether or not to terminate this Agreement. If Buyer elects to terminate this Agreement, Escrow Agent shall return the Earnest Money, all documents deposited in escrow by Buyer to Buyer, and all documents deposited in escrow by Seller to Seller, and this Agreement and the escrow shall terminate. If Buyer elects not to terminate this transaction during the Feasibility Period, the Earnest Money shall become nonrefundable to Buyer and shall be remitted to Seller by Escrow Agent. Buyer's failure to timely give written notice of its election to terminate or not terminate this transaction shall be deemed an election by Buyer not to terminate this

transaction. Seller agrees during the feasibility period not to attempt to sell or actually sell the Assets.

5. Earnest Money and Purchase Price

5.1 Earnest Money and Purchase Price. Buyer agrees to pay Seller as the total purchase price for Seller's interest in the Assets, the following sums (the "Purchase Price")

5.1.1 Earnest Money. Buyer will deposit the sum of Ten Thousand Dollars (\$10,000.00) (the "Earnest Money") with the Escrow Agent within three (3) business days after the execution of this Agreement by Buyer and Seller. The Earnest Money shall be placed in an interest bearing account, and all interest accruing thereon shall be deemed to increase, and be a part of, such Earnest Money. The Earnest Money shall be disbursed to Seller at Closing provided that all of Seller's obligations herein have been satisfied.

5.1.2 Final Portion of Purchase Price. The final portion of the Purchase Price to be paid by Buyer to Seller for the Assets is One Million Five Hundred Twenty-Six Thousand Dollars (\$1,526,000) (the "Final Portion of the Purchase Price"), and shall be paid by Buyer in immediately available United States funds in the form of cash, a confirmed wire transfer of funds or a cashier's or certified check to Escrow Agent on or before Closing for disbursement to Seller, less Seller's share of costs of Closing.

6. Regulatory and Master Water System Approvals and Conditions to Closing. Buyer's and Seller's obligations to proceed with Closing under this Agreement are contingent upon: (i) Seller obtaining such approval of the ACC as may be necessary to complete the sale of the Assets to Buyer and extinguish Seller's Certificates (the "Regulatory Approvals"); (ii) Buyer's receipt of the Commitment; (iii) Seller's execution and delivery of the Transfer Instruments; (iv) Seller's and Buyer's payment of their respective closing costs, proratable amounts or any other amounts required to be paid under this Agreement on or before Closing; and (v) the parties' representations and warranties contained in this Agreement being true and correct in all material respects as of Closing. Buyer shall cooperate in all reasonable respects with Seller's effort to obtain the Regulatory Approvals. If (i) the Regulatory Approvals have not been obtained by June 30, 2012, or (ii) the parties do not extend the date of Closing according to the provisions of Section 11.2 of this Agreement, then the Earnest Money shall be returned to Buyer, and this Agreement shall terminate.

7. Seller's Representations and Warranties. Seller hereby represents and warrants to Buyer as follows:

- 7.1 Title. Seller is the owner of, and has good and marketable title to, the personal and Real Property that is a part of the Assets to be conveyed hereunder.
- 7.2 Disclosed Agreements. Except for this Agreement, Seller has entered into no agreement currently in effect to sell the Assets.
- 7.3 Sole Owner. After Closing, Buyer will be the sole owner of the water system(s) known as Park Valley/Fools Hollow. No other person or legal entity has any ownership interest in the water system(s).
- 7.4 ADEQ. To Seller's knowledge, Park Valley/Fools Hollow is in good standing with ADEQ and has filed all reports, water samples and other filings required by state statutes or ADEQ regulations. Seller has not been notified by ADEQ of any pending or other administrative action against or concerning the Assets. Seller shall provide to Buyer all test results submitted to ADEQ and all correspondence to or from ADEQ within twenty (20) days after escrow is opened in order to allow Buyer to conduct due diligence.
- 7.5 Arizona Corporation Commission ("ACC"). To Seller's knowledge, Park Valley/Fools Hollow is in good standing with the ACC and has filed all reports and other filings required by state statutes or ACC regulations. Seller has not been notified by the ACC of any pending or contemplated investigation or other administrative action against or concerning Park Valley/Fools Hollow. Seller agrees to cooperate with the Buyer and with the ACC in obtaining the Regulatory Approvals.
- 7.6 Taxes. To Seller's knowledge, all income tax, property tax and other tax obligations of Park Valley/Fools Hollow are current. Seller has not been notified by any taxing authority of any pending or contemplated investigations or other administrative action against or concerning Park Valley/Fools Hollow.
- 7.7 Liabilities. To the best of Seller's knowledge, there are no liens, judgments, pending or threatened lawsuits, claims, administrative proceedings or other actions against, or that concern or affect Seller or the Assets that would adversely affect this transaction or the title that Buyer will receive, other than those that have been disclosed in writing to Buyer.
- 7.8 Liens. To the best of Seller's knowledge, there are no liens, encumbrances, judgments, security interests, monetary obligations or other matters

affecting Park Valley/Fools Hollow, the Assets or its operations that have not been disclosed to Buyer and will be outstanding at the time of Closing, if any, except Permitted Encumbrances and current real estate taxes which are not yet due and payable.

- 7.9 Labor, Materials. All bills and invoices for labor and materials furnished to or on behalf of the Assets which have been incurred by Seller prior to the time of conveyance and transfer to Buyer, if any, will be paid by Seller prior to or at the time of Closing.
- 7.10 Proceedings. To the best of Seller's knowledge, there are no actions or proceedings by any person or governmental entity or any other facts or circumstances, including any causes of action, lawsuits or claims, whether existing or threatened, which might materially and adversely affect the Assets.
- 7.11 No Breach. To the best of Seller's knowledge, neither the execution and delivery of this Agreement nor the consummation of the transaction contemplated by this Agreement will result (either immediately or after the passage of time and/or the giving of notice) in any breach or default by Seller under any agreement or understanding to which Seller is a party or by which Seller may be bound or which would have an effect upon Seller's ability to fully perform its obligations under this Agreement.
- 7.12 No Bankruptcy. Seller has not (a) made a general assignment for the benefit of creditors, (b) filed any voluntary petition or suffered the filing of any involuntary petition by Seller's creditors, (c) suffered the appointment of a receiver to take all, or substantially all, of Seller's assets, (d) suffered the attachment or other judicial seizure of all, or substantially all, of Seller's assets, or (e) admitted in writing its inability to pay its debts as they fall due, and no such action is threatened or contemplated.
- 7.13 Regulations. To the best of Seller's knowledge, there are currently no violations of any applicable zoning regulation or ordinance or other law, order, ordinance, rule, regulation or requirement, or of any covenant, condition or restriction affecting or relating to the use or occupancy of the Real Property from any governmental agency having jurisdiction over the Assets or from any other person entitled to enforce the same.
- 7.14 Permits. To the best of Seller's knowledge, Seller has all permits, licenses, authorization and approvals required by law or any governmental agency to conduct the Business.

- 7.15 Condemnation. To the best of Seller's knowledge, there are no pending or threatened condemnations or eminent domain proceedings which would affect the Business or Assets.
- 7.16 Creditors. As of Closing (except for items to be prorated at Closing pursuant to this Agreement), all bills and invoices for goods and services related to or which are a part of the Assets shall be paid; all Creditors shall be paid; all employees (if any) and salaries, wages, bonuses, vacation pay and benefits accrued up to the date of Closing shall be paid; all withholdings, payroll taxes, unemployment insurance, worker's compensation benefits, and all other similar payments shall be paid current to the date of Closing; and no claims by Creditors shall exist which may encumber the Assets.
- 7.17 Organization. Seller has been duly formed and presently exists as an Arizona public service corporation, and subject to receipt of the Regulatory Approvals, has the full right and authority to enter into this Agreement, to consummate the sale of the Assets contemplated herein and to observe and perform all of its covenants and obligations hereunder. The persons executing this Agreement and any other document required hereby have full authority to act on behalf of and to bind the Seller in and to the obligations imposed on it by this Agreement.
- 7.18 Commissions. Seller has made no agreements respecting commissions or brokerage fees in connection herewith. Seller shall indemnify Buyer for any claims of commission through Seller. This indemnification provision shall survive Closing.
- 7.19 Environmental Regulations. To the best of Seller's knowledge, the Assets to be conveyed hereunder are in compliance with all current applicable environmental, health and safety laws and regulations.
- 7.20 Hazardous Materials. Seller has not dumped, buried or released or otherwise disposed of any hazardous materials or environmental pollutants on the Real Property. Seller knows of no dumping, burial, release or other disposal of hazardous materials or other environmental pollutants on the Real Property. Seller is not aware of any environmental problems that may affect the well sites, quality of water or service or delivery of water to Seller's customers.
- 7.21 Independent Advice. Seller has obtained all such independent legal, accounting and other advice as Seller has deemed necessary and appropriate in connection with this transaction. Seller understands that Buyer has no obligation and shall have no liability to Seller for any legal,

tax or other consequences to Seller arising out of this transaction other than a breach by Buyer of any provision of this Agreement.

- 7.22 Insurance Coverage. Seller carries, and has for the four (4) years immediately preceding the date of this Agreement carried, what it believes to be a commercially reasonable liability insurance policy on an occurrence basis. Such insurance shall be maintained in full force and effect through Closing.
- 7.23 ACC Filings. To the best of Seller's knowledge, there are no material inaccuracies in the information contained in the latest Annual Report filed by Seller with the Utilities Division of the ACC.
- 7.24 Annual Regulatory Assessments. Seller agrees and acknowledges that it shall be responsible for and pay all accrued and or payable ACC and RUCO Annual Regulatory Assessments due at or prior to Closing.
- 7.25 Sufficiency and Adequacy. To the best of Seller's knowledge, the Real Property to be conveyed pursuant hereto is adequate and sufficient to permit Buyer to operate the Business in its usual and customary manner, and all Improvements located within the Real Property are to be conveyed to Buyer pursuant hereto.
- 7.26 Maintenance of Assets. Seller agrees to maintain the Assets in their current condition, ordinary wear excepted, to the date of Closing. Furthermore, Seller agrees that, from the effective date of this Agreement through Closing, Seller shall consult with Buyer and take all reasonable steps to ensure that any infrastructure built or approved during such period conforms with Buyer's construction standards. To Seller's knowledge, all of the Assets are installed in a manner that will allow them to function properly and such installation is in compliance with all applicable laws, rules and regulations.
- 7.27 Accuracy of Representations and Warranties. None of the foregoing representations and warranties of Seller contain any untrue statements of a material fact, or omit or misstate a material fact necessary in order to make the statements contained herein not misleading.

The foregoing representations and warranties shall survive Closing for a period of one (1) year and thereafter shall lapse, except for any breach of such warranties and representations with respect to which Buyer has commenced an action against Seller prior to the expiration of such one (1) year period.

8. Buyer's Representations and Warranties. Buyer hereby represents and warrants to Seller as follows:

- 8.1** Authority. Buyer has been duly formed and presently exists as a Municipal Corporation under the laws of the state of Arizona, and the entering into of this Agreement and the performance of Buyer's obligations hereunder have been duly authorized by all proper and necessary official actions, and do not violate any applicable governmental statute, rule, regulation, ordinance, contract or other restriction. All actions required by law for this Agreement to be a valid and binding obligation of Buyer have been taken or will have been taken as of Closing. The person executing this Agreement and any other documents required hereby has full authority to act on behalf of and to bind Buyer in and to the obligations imposed on it by this Agreement.
- 8.2** Service of Customers. Buyer agrees to provide a continuous adequate and reliable municipal water supply to all individuals and entities served by Park Valley/Fools Hollow, subject to all applicable laws, rules and regulations as well as the payment of all applicable fees by such individuals and entities. Any excess water capacity not needed to satisfy the foregoing service commitment may be used anywhere in Buyer's municipal water system for any lawful purpose.
- 8.3** Independent Advice. Buyer has obtained all such independent legal, accounting and other advice as Buyer has deemed necessary and appropriate in connection with this transaction. Buyer understands that Seller has no obligation and shall have no liability to Buyer for any legal, tax or other consequences to Buyer arising out of this transaction other than a breach by Seller of any provision of this agreement.
- 8.4** Inspection. Buyer has inspected and has determined that all of the Assets are installed in a manner that will allow them to function properly and the installation is compliant with all applicable local, state and federal laws, rules and regulations.
- 8.5** Commissions. Buyer has made no agreements respecting commissions or brokerage fees in connection herewith. Buyer shall indemnify Seller for any claims of commission through Buyer. This indemnification provision shall survive Closing.
- 8.6** Seller's Access to Records. Buyer acknowledges that the records to be transferred to Buyer will contain information that may be needed by Seller from time to time. Buyer therefore agrees that Seller will have the right to reasonable access to such information during regular business hours after Closing, including the right to make copies of such documents as Seller

may need.

- 8.7 Accuracy of Representations and Warranties.** None of the representations and warranties of Buyer contain any untrue statements of a material fact, or omit or misstate a material fact necessary in order to make the statements contained herein not misleading.

The foregoing representations and warranties shall survive Closing for a period of one (1) year and thereafter shall lapse, except with respect to any breach of such warranties and representations for which Seller has commenced an action against Buyer prior to the expiration of such one (1) year period.

9. Conditions Precedent.

Buyer has obtained an appraisal and economic analysis which has been delivered to Seller. Before Buyer can proceed to purchase the system, Buyer will need to obtain Arizona Water Infrastructure Financing Authority (WIFA) funding to finance the purchase of the Assets at the Purchase Price. Pursuant to Section 4.3 of this Agreement, Buyer shall have the option to cancel this Agreement if Buyer cannot obtain financing from WIFA. If the cancellation occurs during the Feasibility Period provided for in Section 4.3 then Buyer will not forfeit the Earnest Money deposit; however, in the event that the cancellation occurs outside of the Feasibility Period then (i) Buyer shall forfeit the Earnest Money to Seller, and (ii) Buyer will be responsible for all costs if it cancels this Agreement. In the event that Buyer is prepared to proceed to Closing and Seller elects for any reason to withdraw from the transaction, Seller shall reimburse Buyer the actual costs incurred by Buyer in connection with the aforesaid appraisal and economic analysis.

The City Council for the City of Show Low shall have adopted a resolution approving this Agreement no later than December 6, 2011.

- 9.1** The Board of Directors for Seller shall have adopted a resolution approving this Agreement no later than December 6, 2011.

10. Conditions to Closing.

10.1 Closing Documents.

- 10.1.1 Seller's Deposits.** Prior to Closing, Seller shall deposit with Escrow Agent for delivery to Buyer the following:

- 10.1.1.1** The Warranty Deed required by this Agreement substantially in the form set forth in Exhibit "K" hereto.
- 10.1.1.2** The form of Certificate re RUCO and ACC Assessments,

substantially in the form set forth in **Exhibit "L"** hereto.

- 10.1.1.3** The general assignment of water rights substantially in the form set forth in Exhibit "M" hereto.
- 10.1.1.4** Any other documents or instruments required by this Agreement, including Regulatory Approvals.
- 10.1.1.5** Any other instruments necessary to or reasonably required by Buyer or Escrow Agent to effectuate the transaction contemplated herein.

10.1.2 Buyer's Deposits. Prior to Closing, Buyer shall deposit with Escrow Agent for delivery to Seller the following:

- 10.1.2.1** The Final Portion of the Purchase Price in immediately available United States funds, pursuant to Section 5.12 above.
- 10.1.2.2** Any other instruments necessary to or reasonably required by Seller or Escrow Agent to effectuate the transaction contemplated herein.

10.2 The Closing of this transaction shall occur no later than sixty (60) business days after obtaining all Regulatory Approvals and a written decision from the Arizona Corporation Commission, but in no event later than June 30, 2012. Notwithstanding the foregoing, Seller and Buyer may agree to mutually extend the Closing date until such later time by executing and delivering a written instrument to Escrow Agent setting a new date for Closing. The actual date of Closing shall be the date upon which all conditions specified in Section 1.1.10 have been satisfied and shall also be the new date for proration.

10.3 Prorations. All current real estate taxes against the Real Property shall be prorated as of 12:01 a.m. on the date of Closing. As a municipal corporation, Buyer is exempt from the payment of real estate taxes. Any errors in the proration resulting in a deficit in the payment of taxes through Closing shall thereafter remain the obligation of Seller. Any delinquent taxes, penalties and interest thereon for the Property shall be paid by Seller on or before Closing.

10.4 Assessments. All current assessments, both principal and interest, against the Real Property shall be prorated as of 12:01 a.m. on the date of Closing. Seller shall pay any delinquent amounts on or before Closing.

10.5 Other.

10.5.1 Seller shall transfer its water utility operations and the Assets to

Buyer as of Closing. Pursuant to Section 3.1, prior to Closing refundable security deposits, if any, shall be refunded by Seller as and when due. Buyer shall make its own utility deposit arrangements as to new customers acquired after Closing. All water meter deposits existing at the time of closing will be refunded by Buyer.

- 10.5.2** Any maintenance contracts for services, supplies or Equipment as listed on Exhibit "N" hereto, as approved by Buyer in writing, shall be prorated as of Closing.
- 10.5.3** Leases for Equipment (including vehicles if any) or premises shall be prorated as of Closing.
- 10.5.4** Any Aid in Construction Agreements held by Seller, refunds of which are not due as of Closing, shall be transferred to Buyer together with the associated future refund responsibility as outlined in Exhibit B.
- 10.5.5** Personal property tax shall be prorated as of Closing. As a municipal corporation, Buyer is exempt from the payment of personal property taxes.
- 10.6** Escrow Agent shall have provided Buyer the Commitment, showing that Seller has good marketable title to the real property being acquired by Buyer and that the property is free and clear of any liens or encumbrances. Any exceptions must be approved by the Buyer in writing. Buyer shall not object to any reservations or exceptions for property taxes and other assessments constituting liens but which are not yet due or delinquent, to easements for utilities, rights-of-way or drainage, or to covenants, conditions or restrictions, except to the extent that any of the foregoing would unreasonably affect the operation of the water system.
- 10.7** Seller shall have identified, with reasonable accuracy, the location of all water lines that are a part of the water system being acquired. For any and all water lines across or under real property not owned or controlled by Seller as to which Seller has obtained written easements as of Closing, Seller will execute and deliver to Escrow Agent, in a recordable form satisfactory to Buyer, assignments naming Buyer as grantee (together with the easement itself, if it has not been recorded). Seller shall also assign pursuant to this Agreement any rights to prescriptive easements that it may have.
- 10.8** Seller shall assign all well registrations and all water rights claims subject to the Little Colorado River Stream Adjudication which are associated with

the Assets, if any. Seller agrees to cooperate in good faith, after Closing, in the execution of any additional documents necessary to accomplish the aforesaid assignment of such registrations and claims.

- 10.9** Consistent with applicable privacy laws, Seller shall provide to Buyer a full and complete list of Seller's customers with addresses and any other documentation needed to enable Buyer to continue to operate the water system and provide ongoing adequate and reliable water service to Seller's customers.
- 10.10** Buyer shall have delivered to Escrow Agent funds for the total Purchase Price.
- 10.11** Escrow Agent shall cause to be issued or shall be committed to issue on behalf of Title Company a standard owner's policy of title insurance, with liability in the amount of that portion of the Purchase Price relating to the Real Property, and showing title vested in the Buyer free of encumbrances. Seller shall be responsible for the premium for the standard owner's policy of title insurance.
- 10.12** Seller shall ensure that any lien holder shall release any lien on the Assets.
- 10.13** Seller shall be entitled to all payments from current customers for current or delinquent accounts as of Closing. Buyer is entitled to all payments from customers for current or delinquent accounts after Closing.
- 10.14** Seller shall be responsible for paying all utility bills (electricity, phone, etc.) for usage through Closing.
- 10.15** This transaction shall be approved in writing by the ACC pursuant to A.R.S. 40-285.

11. Indemnification.

- 11.1** By Buyer. Buyer hereby agrees to indemnify Seller against, and to hold Seller harmless from and against any and all actions, suits, proceedings, demands, assessments, judgments, claims, damages, costs and expenses, including without limitation legal fees, court costs and disbursements, incurred by Seller relating to (i) the Assets or Business and arising from acts, occurrences or matters that occur from and after Closing, and (ii) any material misrepresentation, breach of warranty or covenant, or nonfulfillment of any obligation under this Agreement on the part of Buyer.
- 11.2** By Seller. Seller hereby agrees to indemnify Buyer against, and to hold Buyer harmless from and against any and all actions, suits, proceedings, demands, assessments, judgments, claims, damages, costs and expenses,

including without limitation legal fees, court costs and disbursements, incurred by Buyer relating to (i) the Assets or Business and arising from acts, occurrences, matters or the use and operation of the Assets occur place prior to Closing, or (ii) any material misrepresentation, breach of warranty or covenant, or nonfulfillment of any obligation under this Agreement on the part of the Seller.

12. Risk of Loss.

12.1 Prior to Closing. The risk of loss for damage by fire or other casualty, or the taking by eminent domain, until Closing, shall remain the responsibility of Seller. Upon the occurrence of any material loss within ten (10) business days after notification thereof, Buyer may elect in writing to terminate this Agreement or close the sale. If an election to terminate the Agreement is made, any money on deposit shall be returned to Buyer with accrued interest thereon and this Agreement shall thereupon become null and void. In the alternative, if an election to proceed with Closing is made by Buyer, any insurance proceeds and/or condemnation award in connection with the loss shall be given to Buyer, but there shall be no adjustment to the Purchase Price.

12.2 After Closing. The risk of loss or damage by fire or other casualty, or other taking by eminent domain, shall be assumed by and be the responsibility of Buyer from and after Closing.

13. Default.

13.1 Seller's Default.

13.1.1 Non-Monetary Default. For the purposes of this **Section 14** a "Non-Monetary Default" shall mean the failure of Seller to close this transaction after Buyer has tendered full performance when that failure is the result of any action by a third party encumbering the Assets, by creating a cloud on the title of Seller's ownership status which is not practicably susceptible to financial satisfaction prior to Closing, and such encumbrance did not exist when the Commitment was received by Buyer.

13.1.2 Monetary Default. For the purpose of this **Section 14**, a "Monetary Default" shall mean the failure of Seller to close this transaction after Buyer has tendered full performance, when that failure is a result of a monetary lien or encumbrance upon the Assets, which lien or encumbrance was not disclosed in the Commitment when received by Buyer, and which can be cured by the application of a portion of the Closing proceeds.

- 13.1.3** Seller's Willful Refusal. For the purpose of this **Section 14**, "Seller's Willful Refusal" shall mean the wrongful failure of Seller to close this transaction for reasons within Seller's control, after Buyer has tendered full performance.
- 13.1.4** Remedies. In the event of a default by Seller, Buyer's remedies shall be as follows:
- 13.1.4.1** In the event of a Non-Monetary Default, Buyer shall have ten (10) business days following such default in which to elect in writing to terminate this Agreement or waive the Non-Monetary Default and close this transaction. In the event Buyer elects to terminate this Agreement, this Agreement shall thereupon be null and void and the Earnest Money shall be immediately returned to the Buyer, together with any interest earned thereon. If Buyer elects to waive the Non-Monetary Default and close the transaction, the Closing shall occur within ten (10) business days after Buyer's written notice to close. There shall be no adjustment in the Purchase Price and Buyer shall accept whatever title Seller may be able to convey.
- 13.1.4.2** In the event of a Monetary Default, the Escrow Agent is hereby instructed to withhold from Seller's proceeds from the Closing an amount to be agreed upon by Seller and Buyer to cure the Monetary Default.
- 13.1.4.3** In the event of Seller's Willful Refusal, then Buyer shall be entitled to pursue its legal and equitable remedies as they may be available at law, including specific performance.
- 13.2** Buyer's Default. In the event Buyer fails to close this transaction after Seller has tendered full performance and all conditions to Buyer's obligations to close have been satisfied, (i) Seller shall be entitled to immediately receive the Earnest Money from the Escrow Agent as liquidated damages (and not as a penalty) for a portion of its damages incurred as a result of Buyer's default and (ii) Seller may in addition pursue all other rights and remedies at law and in equity, including specific performance. The parties specifically agree that the provisions of A.R.S. Section 33-741, et seq. shall not apply to this Agreement.

terms and provisions of this Agreement shall be interpreted and construed in accordance with their usual and customary meanings, and Seller and Buyer hereby waive the application of any rule of law which would otherwise be applicable in connection with the interpretation and construction of the Agreement, including (without limitation) any rule of law to the effect that ambiguous or conflicting terms or provisions contained in this Agreement shall be interpreted or construed against the party whose attorney prepared the executed draft or any earlier draft thereof. The Rule of Strict Construction shall not be used to interpret this Agreement, but rather this Agreement shall be construed to provide each party with the benefit of the bargain it as struck with the other party.

- 15.3** If either party is in default or breach of the terms of this Agreement, including the representations and warranties set forth herein, the other party may seek specific performance of this Agreement, damages, rescission, or any other remedy or relief available in equity or at law.
- 15.4** Each of the parties hereto represents and warrants to each other party hereto that this Agreement has been duly authorized by all necessary action and that this Agreement constitutes and will constitute a binding obligation of each such party.
- 15.5** Each party hereto agrees to do all such things and take all such actions, and to make, execute and deliver such other documents and instruments, as shall be reasonably requested to carry out the provisions, intent and purpose of this Agreement.
- 15.6** Time is of the essence of this Agreement and each and every provision hereof. However, if any action is required to be taken on a Saturday, Sunday or legal holiday, the action shall be deemed timely taken if it is taken on the next regular business day. Any extension of time granted for the performance of any duty under this Agreement shall not be considered an extension of time for the performance of any other duty under this Agreement; and, the parties' agreement to any such extension shall be reduced to writing.
- 15.7** All recitals, schedules and exhibits to this Agreement are fully incorporated herein and as though set forth at length herein.
- 15.8** This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective successors, heirs and personal representatives. Neither Buyer nor Seller shall assign this Agreement without the express prior written consent of the other party.
- 15.9** This Agreement constitutes the entire agreement between the parties,

14. Meter Readings and Billings.

14.1 Meter Readings.

- 14.1.1** Seller shall use its best effort to read all customer meters on the date of Closing, but in any event, all meters will be read within five (5) days after Closing (the "Final Reading").
- 14.1.2** Seller shall continue to bill in its usual sequence for water usage prior to Closing and may, at its option, delay its usual billing sequence to coincide with the Final Reading.
- 14.1.3** Seller shall bill for all services provided prior to the Final Reading at Seller's ACC-approved rates and charges. Buyer shall bill for all services provided after the Final Reading at Buyer's rates.
- 14.1.4** Buyer shall collect all payments for billings for services provided prior to the Final Reading and remit same to Seller for a period of thirty(30) days following final billing. Buyer will remit two payments to Seller of receipted payments. All receipts received within the first fifteen (15) days will be remitted within twenty (20) days of receipt thereof, remaining payments received within thirty (30) days following final billing will be remitted with a final payment from Buyer to Seller within forty-five (45) days of final billing. Any outstanding balances due to Seller after thirty (30) days shall be assigned to Buyer with the Assignment of Debt, attached hereto as exhibit O.

15. General.

- 15.1** Any notice that may be required under this Agreement shall be provided in writing and shall have an effective date as of (i) the date of physical delivery or (ii) five (5) calendar days after mailing or (iii) upon verified receipt of certified mail or registered mail return receipt requested, to the addresses set forth below or such other addresses as may hereafter be provided by the parties in writing:

City of Show Low	Park Valley/Fools Hollow Water Company, Inc.
Attn: City Manager	Attn: Victoria McCarty
550 N. 9 th Place	PO Box 487
Show Low, AZ 85901	Show Low, AZ 85901

- 15.2** The terms and provisions of this Agreement represent the results of negotiations between Seller and Buyer, each of which as been represented by counsel of its own choosing and none of which have acted under duress or compulsion, whether legal, economic or otherwise. Consequently, the

including any prior oral expressions or statements. This Agreement contains all the agreements and understandings of the parties. It supersedes any prior oral understandings or agreements, and can only be changed or terminated in writing. This Agreement may be amended at any time by mutual agreement of both parties, provided that before any amendment shall be operative, it must be reduced to writing and signed by both parties.

- 15.10** In any suit brought by either party to enforce this Agreement, the prevailing party shall be entitled to reasonable attorney's fees and costs.
- 15.11** The validity, construction, and effect of this Agreement shall be governed by the laws of the state of Arizona without regard to conflict of law principles.
- 15.12** The parties agree that any suit, action or proceeding arising out of this agreement may be submitted to the jurisdiction (both personal and subject matter) of the Arizona Superior Court and that proper venue for such suit, action or proceeding shall be Navajo County.
- 15.13** If any one or more of the provisions of this Agreement shall be held invalid or unenforceable, the validity and enforceability of all other provisions of this Agreement shall not be affected.
- 15.14** Pursuant to A.R.S. Section 38-511, Buyer may cancel this Agreement within three (3) years after its execution, without penalty or further obligations, if any person significantly involved in initiating, negotiating, securing, drafting or creating the Agreement on behalf of Buyer is, at any time while the Agreement or any extension of the Agreement is in effect, an employee or agent of Seller in any capacity or a consultant to Seller with respect to the subject matter of the Agreement.
- 15.15** The descriptive headings of the several sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.
- 15.16** Each party represents and warrants to the other that it has not engaged or dealt with any broker or any other person who would be entitled to any brokerage commission concerning this sale and purchase of the Assets.
- 15.17** This Agreement shall not be assignable or otherwise transferable by any party hereto without the prior written consent of the other party, which consent shall not be unreasonably withheld.
- 15.18** All representations, warranties and covenants shall survive Closing.

16. Covenant as to Conflict of Interest.

Section 38-511, Arizona Revised Statutes, as amended, provides that City may, within three years after its execution, cancel any contract (including this Agreement), without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of City is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract (including in the case of this Agreement, Seller) in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. In addition, City may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of City from any other party to the contract arising as a result of the contract.

17. Additional Commitments by Seller.

17.1 Between the date of this Agreement and Closing, and to the extent applicable under Section 41-440, Arizona Revised Statutes, as amended, Seller shall comply with all federal immigration laws and regulations that relate to its employees, if any, and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes, as amended. The breach by Seller of the foregoing shall be deemed a material breach hereof and may result in the termination of this Agreement. Buyer retains the legal right to inspect the papers and records of Seller to ensure that Seller is complying with the above-mentioned warranty. Seller shall keep such papers and records open for inspection during normal business hours by Buyer. Seller shall cooperate with the inspections by Buyer including granting Buyer entry rights onto its property to perform such inspections and, to the extent required by law, waiving its respective rights to keep such papers and records confidential.

17.2 Pursuant to Sections 35-391.06 and 35-393.06, Arizona Revised Statutes, as amended, between the date of this Agreement and Closing, Seller does and shall not have a scrutinized business operation in Sudan or Iran. For the purpose of this Section the term "scrutinized business operations" shall have the meanings set forth in Section 35-391 and 35-393, Arizona Revised Statutes, as amended, as applicable. If Buyer determines that Seller submitted a false certification, Buyer may impose remedies as provided by law including terminating this Agreement.

IN WITNESS WHEREOF, the parties have entered this Agreement effective as of the date first set forth above.

CITY OF SHOW LOW

PARK VALLEY WATER COMPANY,
INC.

By _____

Rick Fernau, Mayor



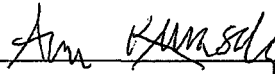
FOOLS HOLLOW WATER
COMPANY, INC.

By _____

Victoria McCarty, President

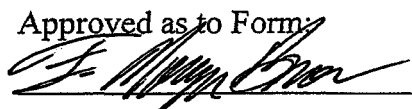
Attested by: _____

Ann Kurasaki, Clerk



Approved as to Form: _____

F. Morgan Brown, City Attorney



Approved as to Form: _____

Lawrence V. Robertson, Jr., Attorney for
Park Valley Water Company, Inc. and
Fools Hollow Water Company, Inc.

IN WITNESS WHEREOF, the parties have entered this Agreement effective as of the date first set forth above.

CITY OF SHOW LOW

PARK VALLEY WATER COMPANY,
INC.

FOOLS HOLLOW WATER
COMPANY, INC.

By _____

Rick Fernau, Mayor

By Victoria McCarty

Victoria McCarty, President

Attested by: _____

Ann Kurasaki, Clerk

Approved as to Form:

Approved as to Form:

F. Morgan Brown, City Attorney

Lawrence V. Robertson, Jr.
Lawrence V. Robertson, Jr., Attorney for
Park Valley Water Company, Inc. and
Fools Hollow Water Company, Inc.

Exhibit A
List of Assets

1-Continental Billing Software

Exhibit B

Aid in Construction Agreements

Exhibit C

BILL OF SALE

THIS BILL OF SALE ("**Bill of Sale**") is made this ____ day of _____, 2012 by Park Valley/Fools Hollow Water Company, Inc. ("**Seller**"), in favor of The City of Show Low, an Arizona Municipal Corporation ("**Purchaser**").

WITNESSETH:

WHEREAS, Seller and Purchaser entered into that certain Asset Purchase and Sale Agreement dated as of _____, 2011 ("**Agreement**") with respect to the sale of certain the Assets identified on Exhibit A to the Agreement. Any term with its initial letter capitalized and not otherwise defined herein shall have the meaning set forth in the Contract.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller does hereby absolutely and unconditionally give, grant, bargain, sell, transfer, set over, assign, convey, release, confirm and deliver to Purchaser all of the tangible personal property listed on the attached Exhibit A (the "**Property**").

This Bill of Sale shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, heirs and legatees of Purchaser and Seller.

This Bill of Sale shall be governed by, interpreted under, and construed and enforceable in accordance with, the laws of the State of Arizona.

[Seller]

By:

By: _____
Victoria McCarty, President

Exhibit "A" to Bill of Sale

List of Property

Exhibit D
Certificates of Convenience and Necessity

Exhibit E
Certificated Area

Exhibit F
Service Area Map

Exhibit G
List of Equipment

Exhibit H
Description of Real Property

Exhibit I
Assignment and Assumption of Contract Rights

Exhibit J
Affidavit of Property Value

Exhibit K
Warranty Deed

When recorded, please
return to:
City of Show Low
Attn: City Manager
550 N. 9th Place
Show Low, AZ 85901

WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS:

That Park Valley Water Company, Inc., Grantor, in consideration of the sum of Ten and 00/100 Dollars (\$10.00), and other valuable consideration, the receipt of which is hereby acknowledged, does hereby grant, bargain, sell and convey unto the City of Show Low, an Arizona municipal corporation, Grantee, all right, title, and interest in and to the following described real property and premises situated in Navajo County, Arizona, to-wit:

together with all and singular tenements, improvements, hereditaments, and appurtenances thereon and thereunto belonging or in any wise appertaining, and warrant the title to the same.

TO HAVE AND TO HOLD said described premises unto the said Grantees, their successors and assigns forever, free and clear and discharged of and from all former grants, charges, taxes, judgments, mortgages, and other liens and encumbrances of whatsoever nature.

SIGNED and DELIVERED this ____ day of _____, 2012.

PARK VALLEY WATER COMPANY, INC.

By _____

VICTORIA MCCARTY, PRESIDENT

STATE OF ARIZONA)
) ss
County of Navajo)

Acknowledgment. On this _____ day of _____, 2012, before me, a notary public, personally appeared: Victoria McCarty known to me or satisfactorily proven to be the person whose name is subscribed to this instrument and acknowledged that he executed the same. If this person's name is subscribed in a representative capacity, it is for the principal named and in the capacity indicated.

Notary Public

My commission expires: _____

Warranty Deed

When recorded, please
return to:

City of Show Low
Attn: City Manager
550 N. 9th Place
Show Low, AZ 85901

WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS:

That Fools Hollow Water Company, Inc., Grantor, in consideration of the sum of Ten and 00/100 Dollars (\$10.00), and other valuable consideration, the receipt of which is hereby acknowledged, does hereby grant, bargain, sell and convey unto the City of Show Low, an Arizona municipal corporation, Grantee, all right, title, and interest in and to the following described real property and premises situated in Navajo County, Arizona, to-wit:

together with all and singular tenements, improvements, hereditaments, and appurtenances thereon and thereunto belonging or in any wise appertaining, and warrant the title to the same.

TO HAVE AND TO HOLD said described premises unto the said Grantees, their successors and assigns forever, free and clear and discharged of and from all former grants, charges, taxes, judgments, mortgages, and other liens and encumbrances of whatsoever nature.

SIGNED and DELIVERED this ____ day of _____, 2012.

FOOLS HOLLOW WATER COMPANY, INC.

By _____
VICTORIA MCCARTY, PRESIDENT

STATE OF ARIZONA)
) ss
County of Navajo)

Acknowledgment. On this _____ day of _____, 2012, before me, a notary public, personally appeared: Victoria McCarty known to me or satisfactorily proven to be the person whose name is subscribed to this instrument and acknowledged that he executed the same. If this person's name is subscribed in a representative capacity, it is for the principal named and in the capacity indicated.

Notary Public

My commission expires: _____

Exhibit L

Certificate of RUCO and ACC Assessments

Exhibit M
Assignment of Water Rights

When Recorded, Return to:

David A. Brown
Brown & Brown Law Offices, P.C.
Post Office Box 1890
St. Johns, Arizona 85936

ASSIGNMENT OF INTEREST IN WATER RIGHTS

PARK VALLEY WATER COMPANY, INC., an Arizona Corporation, (hereinafter referred to as "ASSIGNOR"), for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, HEREBY ASSIGNS AND TRANSFERS to THE CITY OF SHOW LOW, an Arizona municipal corporation, all right, title and interest in and to the water rights appurtenant to the real property and leasehold estates described in Exhibit "A" and to the water rights used to service any customers of ASSIGNOR. ("the Water Rights").

The Water Rights include all rights, titles and interest in and to (1) all water uses associated with the real property and leasehold estates described in Exhibit "A" and, regardless of whether those water uses were registered with the State of Arizona, certificated in state water right filings, or claimed in *The General Adjudication of the Little Colorado River System and Source*, Apache County Superior Court No. 6417 ("the Adjudication"); (2) all certificates, registrations, claims, affidavits, notices and Adjudication claims for the water supplies and uses associated with the real property and leasehold estates described in Exhibit "A"; (3) all water uses used or useful in servicing any customers of ASSIGNOR; and (4) all equipment and improvements related to the water sources and uses.

ASSIGNOR has the full legal right and authority to execute this assignment and to transfer all Water Rights described herein.

ASSIGNOR agrees to execute such further documents as may be required to implement the transfer of the Water Rights.

DATED this _____ day of _____, 2012.

Victoria McCarty, President,
Park Valley Water Company Inc.

STATE OF ARIZONA)
) ss
COUNTY OF _____)

The foregoing Assignment and Certification was acknowledged before me this ____ day of _____, 2012, by _____.

My commission expires: _____ Notary Public

Exhibit A-would by Exhibit H to main agreement

Assignment of Water Rights

When Recorded, Return to:

David A. Brown
Brown & Brown Law Offices, P.C.
Post Office Box 1890
St. Johns, Arizona 85936

ASSIGNMENT OF INTEREST IN WATER RIGHTS

FOOLS HOLLOW WATER COMPANY, INC., an Arizona Corporation, (hereinafter referred to as "ASSIGNOR"), for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, HEREBY ASSIGNS AND TRANSFERS to THE CITY OF SHOW LOW, an Arizona municipal corporation, all right, title and interest in and to the water rights appurtenant to the real property and leasehold estates described in Exhibit "A" and to the water rights used to service any customers of ASSIGNOR. ("the Water Rights").

The Water Rights include all rights, titles and interest in and to (1) all water uses associated with the real property and leasehold estates described in Exhibit "A" and, regardless of whether those water uses were registered with the State of Arizona, certificated in state water right filings, or claimed in *The General Adjudication of the Little Colorado River System and Source*, Apache County Superior Court No. 6417 ("the Adjudication"); (2) all certificates, registrations, claims, affidavits, notices and Adjudication claims for the water supplies and uses associated with the real property and leasehold estates described in Exhibit "A"; (3) all water uses used or useful in servicing any customers of ASSIGNOR; and (4) all equipment and improvements related to the water sources and uses.

ASSIGNOR has the full legal right and authority to execute this assignment and to transfer all Water Rights described herein.

ASSIGNOR agrees to execute such further documents as may be required to implement the transfer of the Water Rights.

DATED this _____ day of _____, 2012.

Victoria McCarty, President,
Fools Hollow Water Company Inc.

STATE OF ARIZONA)
) ss
COUNTY OF _____)

The foregoing Assignment and Certification was acknowledged before me this ____ day of _____, 2012, by _____.

My commission expires:

Notary Public

Exhibit A-would by Exhibit H to main agreement

Exhibit N
Maintenance Contracts

Appendix “D”

**Park Valley/Fools Hollow and Show Low
(Park Valley’s and Fools Hollow’s Rate
Schedules)**

**Fools Hollow Water Company
Docket No. W-02042A-12-_____**

WATER TARIFF SCHEDULE

UTILITY: Park Valley Water Company
DOCKET NO: W-01653A-98-0194

DECISION NO: 61099
EFFECTIVE: 9/1/98

ORIGINAL

RATES AND CHARGES

CUSTOMER/MINIMUM CHARGES PER MONTH

<u>METER</u>	<u>CHARGES</u>	<u>GALLONS</u>
5/8 X 3/4"	\$14.00	0
3/4"	\$14.00	0
1"	\$35.00	0
1 1/2"	\$70.00	0
2"	\$112.00	0
3"	\$210.00	0
4"	\$350.00	0
6"	\$700.00	0

SERVICE LINE & METER INSTALLATION CHARGES

<u>METER</u>	<u>CHARGES</u>
5/8 X 3/4"	\$400.00
3/4"	\$440.00
1"	\$500.00
1 1/2"	\$700.00
2"	\$1,000.00
3"	\$1,500.00
4"	\$2,200.00
6"	\$4,500.00

COMMODITY CHARGE:

PER 1,000 GALLONS

\$2.65

SERVICE CHARGES

1. ESTABLISHMENT (R14-2-603.D.1)	25.00
2. ESTABLISHMENT/AFTER HOURS (R14-2-403.D.2)	35.00
3. RECONNECTION/DELINQUENT (R14-2-403.D.1)	25.00
4. NSF CHECK (R14-2-409)	15.00
5. METER REREAD/IF CORRECT (R14-2-403.C.2)	10.00
6. METER TEST/IF CORRECT (R14-2-408.F.1)	20.00
7. DEFERRED PAYMENT (PER MONTH)	1.50%
8. LATE PAYMENT PENALTY (PER MONTH)	1.50%
9. DEPOSIT INTEREST	PER RULE
10. DEPOSIT (R14-2-403.B.7)	PER RULE
11. RE-ESTABLISHMENT W/N 12 MONTHS	MONTHS OFF SYSTEM TIMES
	MONTHLY MINIMUM

MONTHLY SERVICE CHARGE FOR FIRE SPRINKLER:

4" OR SMALLER; 6"; 8"; 10"; AND LARGER THAN 10" :

1% OF MONTHLY MINIMUM FOR A COMPARABLE SIZED METER CONNECTION, BUT NO LESS THAN \$5.00 PER MONTH. THE SERVICE CHARGE FOR FIRE SPRINKLERS IS ONLY APPLICABLE FOR SERVICE LINES SEPARATE AND DISTINCT FROM THE PRIMARY WATER SERVICE LINE.

OTHER RATES AND CHARGES APPROVED BY ORDER

IN ADDITION TO THE COLLECTION OF ITS REGULAR RATES AND CHARGES, THE COMPANY SHALL COLLECT FROM CUST THEIR PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES OR USE TAX IN ACCORDANCE WITH R14-2-409.D.5.

APPROVED FOR FILING

(6/23/00)* NOTE: Can only charge 2.65 conn fee for water used w/ fire hydrant meter, per Claudio Fernandez, A.C.C.)

WATER TARIFF SCHEDULE

UTILITY: Fools Hollow Water Company
DOCKET NO: W-02042A-98-0195

DECISION NO: 61108
EFFECTIVE: 9/1/98

ORIGINAL

RATES AND CHARGES

CUSTOMER/MINIMUM CHARGES PER MONTH

<u>METER</u>	<u>CHARGES</u>	<u>GALLONS</u>
5/8 X 3/4"	\$14.00	0
3/4"	\$14.00	0
1"	\$35.00	0
1 1/2"	\$70.00	0
2"	\$112.00	0
3"	\$210.00	0
4"	\$350.00	0
6"	\$700.00	0

SERVICE LINE & METER INSTALLATION CHARGES

<u>METER</u>	<u>CHARGES</u>
5/8 X 3/4"	\$400.00
3/4"	\$440.00
1"	\$500.00
1 1/2"	\$700.00
2"	\$1,000.00
3"	\$1,500.00
4"	\$2,200.00
6"	\$4,500.00

COMMODITY CHARGE:

PER 1,000 GALLONS

\$2.65

SERVICE CHARGES

1. ESTABLISHMENT (R14-2-603.D.1)	25.00
2. ESTABLISHMENT/AFTER HOURS (R14-2-403.D.2)	35.00
3. RECONNECTION/DELINQUENT (R14-2-403.D.1)	25.00
4. NSF CHECK (R14-2-409)	15.00
5. METER REREAD/IF CORRECT (R14-2-403.C.2)	10.00
6. METER TEST/IF CORRECT (R14-2-408.F.1)	20.00 (PLUS TESTING COSTS)
7. DEFERRED PAYMENT (PER MONTH)	1.50%
8. LATE PAYMENT PENALTY (PER MONTH)	1.50%
9. DEPOSIT INTEREST	PER RULE
10. DEPOSIT (R14-2-403.B.7)	PER RULE
11. RE-ESTABLISHMENT W/N 12 MONTHS	MONTHS OFF SYSTEM TIMES MONTHLY MINIMUM

MONTHLY SERVICE CHARGE FOR FIRE SPRINKLER:

4" OR SMALLER; 6"; 8"; 10"; AND LARGER THAN 10" :

1% OF MONTHLY MINIMUM FOR A COMPARABLE SIZED METER CONNECTION, BUT NO LESS THAN \$5.00 PER MONTH. THE SERVICE CHARGE FOR FIRE SPRINKLERS IS ONLY APPLICABLE FOR SERVICE LINES SEPARATE AND DISTINCT FROM THE PRIMARY WATER SERVICE LINE.

OTHER RATES AND CHARGES APPROVED BY ORDER

IN ADDITION TO THE COLLECTION OF ITS REGULAR RATES AND CHARGES, THE COMPANY SHALL COLLECT FROM CUSTOMERS THEIR PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES OR USE TAX IN ACCORDANCE WITH R14-2-409.D.5.

APPROVED FOR FILING
DECISION # 61108

Appendix “E”

**Park Valley/Fools Hollow and Show Low
(Show Low’s Rate Schedule)**

**Fools Hollow Water Company
Docket No. W-02042A-12-_____**

CITY OF SHOW LOW RESOLUTION NO. R2011-17

**A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY
OF SHOW LOW, ARIZONA, ADOPTING RATES, DEFINITIONS,
FEES, AND REGULATIONS FOR WATER AND WASTEWATER
SERVICES**

RECITALS:

WHEREAS, Articles 11-5, and 14-5 of the Show Low City Code authorize the City Council to adopt fees applicable to sewer and water connections and their use; and

WHEREAS, the City of Show Low has the requisite statutory authority to acquire, own, and maintain a water and wastewater utilities for the benefit of the landowners within and without the City's corporate boundaries pursuant to the provision of Arizona Revised Statutes 9-511 et. seq.; and

WHEREAS, the City of Show Low is a political subdivision of the State of Arizona, and pursuant to Article 13, Section 7 of the Arizona Constitution, is vested with all the rights, privileges and benefits, and entitled to the immunities and exemptions granted municipalities and political subdivisions under the Constitution and laws of the State of Arizona and the United States; and

WHEREAS, the City of Show Low now finds it necessary to adjust water and wastewater rates for the City of Show Low Municipal Water and Wastewater Utilities in accordance with Arizona Revised Statutes § 9-511.01.

ENACTMENTS:

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the City of Show Low, Arizona, as follows:

Section 1

Resolution No. R2008-35, adopted August 19, 2008, is hereby superseded by this Resolution No. R2011-17.

Section 2

Any previous resolutions that have been adopted to establish definitions, fees, and regulations as outlined below are hereby superseded by this Resolution No. R2011-17.

Section 3

As authorized by the Show Low City Code, the following wastewater rates and effective dates shall be adopted:

R2011-17

Wastewater Rates					
		July 1, 2011		January 1, 2013	
	Description	Base Fee	Rate per 1,000/gal	Base Fee	Rate per 1,000/gal
	Residential	26.78	n/a	27.58	n/a
	Residential - Low Pressure	37.08	n/a	38.19	n/a
	Commercial	21.12	2.42	22.71	2.60
	Commercial - Low Pressure	32.38	2.42	34.81	2.60

To aid the transition to a uniform wastewater usage rate, all existing businesses with active accounts on the date of implementation within rate codes 310, 311, 314, 316, 318, and 320 will have the usage rate per 1,000 gallons phased in as follows:

Effective Dates	% of Adopted Rate	Rate per 1,000 gallons
July 1, 2011 – December 31, 2012	75%	\$1.82
January 1, 2013 – December 31, 2013	85%	\$2.21
January 1, 2014	100%	Adopted Rate

Section 4

As authorized by the Show Low City Code, the following water rates and effective dates shall be adopted:

Water Rates						
			July 1, 2011		January 1, 2013	
Rate Code	Meter Sizes	Usage Allowance	Base Fee	Rate per 1,000/gal	Base Fee	Rate per 1,000/gal
101	5/8 - 3/4"	5,000	24.00	2.36	26.64	2.62
102	1"	5,000	37.10	2.36	41.18	2.62
103	1 1/2"	11,000	77.98	2.36	86.56	2.62
104	2"	22,000	167.72	2.36	186.17	2.62
105	3"	44,000	345.27	2.36	383.25	2.62
106	4" +	67,000	556.49	2.36	617.70	2.62

For all services located outside the Show Low city limits, a 25% premium will be added to the rates charged by the City. The following outside-city-limits water rates and effective dates shall be adopted:

Outside City Limits - Rates						
			July 1, 2011		January 1, 2013	
Rate Code	Meter Sizes	Usage Allowance	Base Fee	Rate per 1,000/gal	Base Fee	Rate per 1,000/gal
111	5/8 - 3/4"	5,000	30.00	2.95	33.30	3.28
112	1"	5,000	46.38	2.95	51.48	3.28
113	1 1/2"	11,000	97.48	2.95	108.20	3.28
114	2"	22,000	209.65	2.95	232.71	3.28
115	3"	44,000	431.59	2.95	479.06	3.28
116	4" +	67,000	695.61	2.95	772.13	3.28

Section 5

For all new connections outside the city limits there will be an impact on the existing infrastructure and capacity requirements of the water system, and a need to fund system improvements and expansion. As authorized by the Show Low City Code, the following fees shall be adopted:

Outside City Limits - Water System Fees		
	Meter Sizes	System Fee
	5/8 "	1,018.75
	3/4 "	1,458.75
	1 "	2,477.50
	1 1/2 "	4,813.75
	2 "	7,696.25
	3" Compound	15,558.75
	3" Turbine	17,448.75
	4" Compound	24,782.50
	4" Turbine	29,892.50

*Meter fee is not included and will be charged at current adopted rates

Section 6

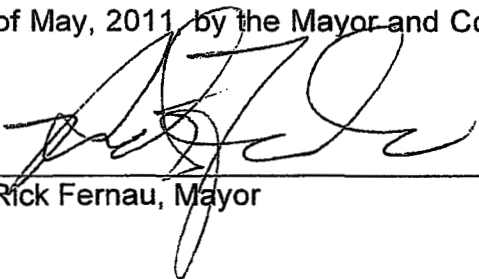
As authorized by the Show Low City Code, the following miscellaneous fees shall be adopted:

Miscellaneous Rates		
Rate Code	Description	Base Fee
2101	Water Rights Preservation Fee (per month/per active water account)	0.75
	Seasonal/Inactive Status	200.00
	- Includes connect/disconnect fee for water customers	
	- Fee may be paid in installments over a period not to exceed 6-months	
	- Entire fee must be paid prior to re-connection	
	- Includes all services, no time limit on inactive status	
	Water Connection	25.00
	Water Disconnect	25.00
	After Hours Call Out	40.00
	Re-Read/Read Only	25.00
	Bulk Meter Activation	150.00
	Bulk Meter Deposit	800.00
	Non-Sufficient Funds fee	25.00
	Late Fee	10.00
	Security Deposit	150.00
	- with autopay sign up and continued active	75.00
	- refunded after 12 consecutive months of prompt payment	
	- may be waived with letter of credit showing 1-year of prompt payment history from previous utility	
	Non-pay Wastewater physical disconnect	600.00

Section 7

CPI Adjustment. Commencing on January 1, 2014 and on each January 1 thereafter the then-current base fees and rates shall be automatically adjusted by the average annual percent change in the Consumer Price Index (CPI) for All Urban Consumers (CPI-U), West Region, 1982-84+100, published by the United States Bureau of Labor Statistics (BLS), during the prior 12-month period ending September 30. The City shall refer to the BLS Internet site (<http://stats.bls.gov/cpi/>) or other BLS source to calculate the CPI-adjusted base rates and fees. In the event the BLS discontinues publishing the CPI and or the CPI-U, the City Manager shall select a comparable index then being published.

PASSED AND ADOPTED this 17th day of May, 2011, by the Mayor and Council of the City of Show Low, Arizona.



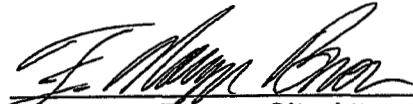
Rick Fernau, Mayor

ATTEST:



Ann Kurasaki, City Clerk

APPROVED AS TO FORM:



F. Morgan Brown, City Attorney

Appendix “F”

**Park Valley/Fools Hollow and Show Low
(Park Valley’s Certificate of Good Standing)**

**Fools Hollow Water Company
Docket No. W-02042A-12-_____**

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION
CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Ernest G. Johnson, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****PARK VALLEY WATER COMPANY, INC.*****

a domestic corporation organized under the laws of the State of Arizona, did incorporate on February 27, 1986.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 29th Day of December, 2011, A. D.





Executive Director

By: _____ 703321

Appendix “G”

**Park Valley/Fools Hollow and Show Low
(Fools Hollow’s Certificate of Good Standing)**

**Fools Hollow Water Company
Docket No. W-02042A-12-_____**

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION
CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Ernest G. Johnson, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****FOOLS HOLLOW WATER COMPANY, INC.*****

a domestic corporation organized under the laws of the State of Arizona, did incorporate on March 14, 1986.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 29th Day of December, 2011, A. D.




Executive Director

By: _____ 703318

Appendix “H”

**Park Valley/Fools Hollow and Show Low
(ADWR Compliance Status Report for Park
Valley and Fools Hollow)**

**Fools Hollow Water Company
Docket No. W-02042A-12-_____**

JANICE K. BREWER
Governor



SANDRA A. FABRITZ-WHITNEY
Director

ARIZONA DEPARTMENT OF WATER RESOURCES

3550 North Central Avenue, Second Floor
PHOENIX, ARIZONA 85012-2105
(602) 771-8500

Water Provider Compliance Report

Water System Name: Park Valley – Fool Hollow Water Co.		Water System ID No: CWS #91-000369.0000		
Report Requested By: Lawrence V. Robertson, Jr.		Report Completed By: A. Craddock - ADWR		
Report Request Date: 12/22/2011		Report Complete Date: 12/27/2011 Update		
Compliance Requirement	Compliance Determination			
	Compliant	Non-Compliant	Undetermined	Not Applicable
<i>Assured/Adequate Water Supply Program</i>				
1. Designation of assured or adequate water supply in good standing				X
2. Annual Report filed on-time				X
<i>Community Water Systems Program</i>				X
1. Annual Report filed on-time (outside AMAs)	X			
2. System Water Plan filed on-time	X			
<i>Active Management Areas (AMAs)</i>				
1. Annual Report filed on-time				X
2. Annual Report filed on-time for INAs (non-exempt wells only)				X
3. Management Plan Requirements				X
a. Lost and Unaccounted for Water <10% of total use for large providers				X
b. Lost and Unaccounted for Water <15% of total use for small providers				X
c. Annual submission of service area distribution maps				X
d. ACP requirements are met				X
e. GPCD Program requirements are met				X
f. NPCCP requirements are met				X
g. MNPCCP requirements are met				X
h. Individual User requirements are met				X
4. Permitted well volumes				X
5. Type I and Type II Non-IGFR withdrawal authority				X
6. Maintenance of approved/accurate measuring devices (INAs also)				X
7. Groundwater transportation restrictions				X
8. Groundwater deliveries to other AMA water providers				X

ADWR Compliance Determination

 X The Arizona Department of Water Resources, as of the report completion date, has determined that this water system is currently **compliant** with departmental requirements governing water providers and/or community water systems.

 The Arizona Department of Water Resources, as of the report completion date, has determined that this water system is currently **non-compliant** with departmental requirements governing water providers and/or community water systems.

If you have any additional questions or concerns regarding the compliance status of this water system please contact Andrew Craddock, ADWR Compliance Coordinator at (602) 771-8615.

Appendix “I”

**Park Valley/Fools Hollow and Show Low
(Arizona Department of Health Services
Approval to Operate)**

**Fools Hollow Water Company
Docket No. W-02042A-12-_____**

APPROVAL TO OPERATE

Project Description Installation of a new water system between
Fools Hollow & Park Valley Water Co's Project
includes ~7200 L.F. of 6" water line, new 300,000 g.p.d.

Location Show Low

Project Owner Jim McCarty

Address: Box 487
City, State, & Zip Code: Show Low AZ 85901

Approval to operate the above-described facilities as represented in the approved plan documents on file with the Arizona Department of Health Services is hereby given subject to the following provisions:

- (☒) On June 5 1985, the above-referenced project was issued an Approval to Construct.
- () On _____, _____, P. E., certified construction inspections were performed and the referenced project was built in accordance with the approved plans and specifications.
- (☒) On Sept 9 1986, Ronald P. Matheson, P. E., certified construction inspections were performed and the referenced project was built in accordance with the as-built plans and specifications.
- () On _____, a cursory inspection of the project was performed by _____, Environmental Engineering Specialist, of the Northern Regional Office of Waste and Water Quality Management. No detailed construction inspection was performed. The project appears to be constructed in accordance with the approved plans and specifications. However, good construction practice dictates that a resident inspector be on site at all times during construction. The cursory inspection by personnel of this Office does not provide a substitute for a resident inspector under the supervision of a Professional Engineer. This should not be construed nor implied as a guarantee or warranty of the quality of the construction.

This project requires that the 2 systems be
operated as one system: Park Valley - Fools
Hollow Water Co using the 09-011 number.

The State law, A.R.S. 36-136, G., 6 or 9, requires that the operation of the project must be in accordance with the rules and regulations of the Arizona Department of Health Services.

Date Approved: 10-15-86

HRH: Red:hms

System Number 09-011

cc: File No. 850137

Technical Review, OW&WQM, Phoenix
County Health Department

Harley R. Hiatt, P. E., Manager
Northern Regional Office
Office of Waste and Water Quality Management

Matheson
Ever

Appendix “J”

**Park Valley/Fools Hollow and Show Low
(ADEQ Compliance Status Report for Park
Valley and Fools Hollow)**

**Fools Hollow Water Company
Docket No. W-02042A-12-_____**

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
 Mail Code 5415B-2
 1110 West Washington Street
 Phoenix, AZ 85007

Drinking Water Compliance Status Report

System Name	System Type	Is system consecutive?
PARK VALLEY-FOOLS HOLLOW	<input checked="" type="checkbox"/> Community	<input type="checkbox"/> Yes,
System ID #	<input type="checkbox"/> Non-transient Non-community	to PWS #
09011	<input type="checkbox"/> Transient Non-community	<input checked="" type="checkbox"/> No

Overall compliance status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Monitoring and Reporting status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies

Comments: Arsenic - EPDS001 triggered increased monitoring beginning the 3Q11, following an individual sample of 19 ppb on 5/9/11 (the MCL is 10 ppb). The samples prior to this date were all below the MCL, and samples pulled during the third and fourth quarter 2011 were also below the MCL. The system is now on quarterly sampling to determine if the running annual average exceeds the MCL.

Operation and Maintenance status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Date of last Sanitary Survey	9-21-11	Inspector
		Steve Camp, NRO

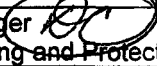
Major unresolved/ongoing operation and maintenance deficiencies:

<input type="checkbox"/> unable to maintain 20psi	<input type="checkbox"/> inadequate storage
<input type="checkbox"/> cross connection/backflow problems	<input type="checkbox"/> surface water treatment rule
<input type="checkbox"/> treatment deficiencies	<input type="checkbox"/> ATC/AOC
<input type="checkbox"/> certified operator	<input type="checkbox"/> other =

Comments: None

Is an ADEQ administrative order in effect?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Comments: None		

System Information	
Population Served	2704
Service Connections	1036
Number of Entry Points to the Distribution System	3
Number of Sources	4
Initial Monitoring Year	1993
Monitoring Assistance Program (MAP) System	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Evaluation completed by	Donna Calderon, Manager 		
	Drinking Water Monitoring and Protection Unit		
Phone	602-771-4641	Date	January 20, 2012
<input checked="" type="checkbox"/>	Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and PWS is in compliance.		
<input type="checkbox"/>	Based upon the monitoring and reporting deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.		
<input type="checkbox"/>	Based upon the operation and maintenance deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.		

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
 Mail Code 5415B-2
 1110 West Washington Street
 Phoenix, AZ 85007

Drinking Water Compliance Status Report


System Name	System Type	Is system consecutive?
PARK VALLEY WATER CO NAVAJO	<input type="checkbox"/> Community	<input type="checkbox"/> Yes,
System ID #	<input type="checkbox"/> Non-transient Non-community	to PWS #
09019	<input type="checkbox"/> Transient Non-community	<input checked="" type="checkbox"/> No

Overall compliance status	<input type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Monitoring and Reporting status	<input type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Comments: INACTIVE - ADEQ records show this system merged with PWS ID# 09011, Fools Hollow Water Company on 9/26/1986.		

Operation and Maintenance status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Date of last Sanitary Survey	9-10-96	Inspector UNKNOWN
Major unresolved/ongoing operation and maintenance deficiencies:		
<input type="checkbox"/> unable to maintain 20psi <input type="checkbox"/> cross connection/backflow problems <input type="checkbox"/> treatment deficiencies <input type="checkbox"/> certified operator <input type="checkbox"/> inadequate storage <input type="checkbox"/> surface water treatment rule <input type="checkbox"/> ATC/AOC <input type="checkbox"/> other =		
Comments: INACTIVE - NON PUBLIC		

Is an ADEQ administrative order in effect?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Comments:		

System Information	
Population Served	0
Service Connections	497
Number of Entry Points to the Distribution System	INACTIVE
Number of Sources	INACTIVE
Initial Monitoring Year	N/A
Monitoring Assistance Program (MAP) System	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Evaluation completed by	Donna Calderon, Manager 		
	Drinking Water Monitoring and Protection Unit		
Phone	602-771-4641	Date	January 18, 2012
<input type="checkbox"/>	Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and PWS is in compliance.		
<input type="checkbox"/>	Based upon the monitoring and reporting deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.		
<input type="checkbox"/>	Based upon the operation and maintenance deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.		

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

Appendix “K”

**Park Valley/Fools Hollow and Show Low
(ADWR Compliance Status Report for Show
Low)**

**Fools Hollow Water Company
Docket No. W-02042A-12-_____**

JANICE K. BREWER
Governor



SANDRA A. FABRITZ-WHITNEY
Director

ARIZONA DEPARTMENT OF WATER RESOURCES

3550 North Central Avenue, Second Floor
PHOENIX, ARIZONA 85012-2105
(602) 771-8500

Water Provider Compliance Report

Water System Name: City of Show Low, Arizona		Water System ID No: PWS # 91-00380.0000; ADWR DAWS # 41-300412.0001		
Report Requested By: L. Robertson		Report Completed By: A. Craddock - ADWR		
Report Request Date: 2/1/2012		Report Complete Date: 2/2/2012		
Compliance Requirement	Compliance Determination			
<i>Assured/Adequate Water Supply Program</i>	Compliant	Non-Compliant	Undetermined	Not Applicable
1. Designation of assured or adequate water supply in good standing	X			
2. Annual Report filed on-time	X (Initial filing due 3/31/2012)			
<i>Community Water Systems Program</i>				
1. Annual Report filed on-time (outside AMAs)	X			
2. System Water Plan filed on-time	X			
<i>Active Management Areas (AMAs)</i>				
1. Annual Report filed on-time				X
2. Annual Report filed on-time for INAs (non-exempt wells only)				X
3. Management Plan Requirements				X
a. Lost and Unaccounted for Water <10% of total use for large providers				X
b. Lost and Unaccounted for Water <15% of total use for small providers				X
c. Annual submission of service area distribution maps				X
d. ACP requirements are met				X
e. GPCD Program requirements are met				X
f. NPCCP requirements are met				X
g. MNPCCP requirements are met				X
h. Individual User requirements are met				X
4. Permitted well volumes				X
5. Type I and Type II Non-IGFR withdrawal authority				X
6. Maintenance of approved/accurate measuring devices (INAs also)				X
7. Groundwater transportation restrictions				X
8. Groundwater deliveries to other AMA water providers				X

ADWR Compliance Determination

 X The Arizona Department of Water Resources, as of the report completion date, has determined that this water system is currently **compliant** with departmental requirements governing water providers and/or community water systems.

 The Arizona Department of Water Resources, as of the report completion date, has determined that this water system is currently **non-compliant** with departmental requirements governing water providers and/or community water systems.

If you have any additional questions or concerns regarding the compliance status of this water system please contact Andrew Craddock, ADWR Compliance Coordinator at (602) 771-8615.

Appendix “L”

**Park Valley/Fools Hollow and Show Low
(ADEQ Compliance Status Report for Show
Low)**

**Fools Hollow Water Company
Docket No. W-02042A-12-_____**

Arizona Department of Environmental Quality
Drinking Water Monitoring and Protection Unit
 Mail Code 5415B-2
 1110 West Washington Street
 Phoenix, AZ 85007

Drinking Water Compliance Status Report


System Name	System Type	Is system consecutive?
CITY OF SHOW LOW	<input checked="" type="checkbox"/> Community	<input type="checkbox"/> Yes, to PWS #
System ID #	<input type="checkbox"/> Non-transient Non-community	<input checked="" type="checkbox"/> No
09026	<input type="checkbox"/> Transient Non-community	

Overall compliance status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Monitoring and Reporting status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Comments: None		

Operation and Maintenance status	<input checked="" type="checkbox"/> No major deficiencies	<input type="checkbox"/> Major deficiencies
Date of last Sanitary Survey	2-17-11	Inspector Steve Camp, NRO
Major unresolved/ongoing operation and maintenance deficiencies:		
<input type="checkbox"/> unable to maintain 20psi <input type="checkbox"/> cross connection/backflow problems <input type="checkbox"/> treatment deficiencies <input type="checkbox"/> certified operator <input type="checkbox"/> inadequate storage <input type="checkbox"/> surface water treatment rule <input type="checkbox"/> ATC/AOC <input type="checkbox"/> other =		
Comments: Recommendation on this sanitary survey were for Source: need to put well numbers at well site.		

Is an ADEQ administrative order in effect?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Comments: None		

System Information	
Population Served	10854
Service Connections	4698
Number of Entry Points to the Distribution System	7
Number of Sources	8
Initial Monitoring Year	1995
Monitoring Assistance Program (MAP) System	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Evaluation completed by	Donna Calderon, Manager  Drinking Water Monitoring and Protection Unit		
Phone	602-771-4641	Date	January 4, 2012
<input checked="" type="checkbox"/>	Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and PWS is in compliance.		
<input type="checkbox"/>	Based upon the monitoring and reporting deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.		
<input type="checkbox"/>	Based upon the operation and maintenance deficiencies noted above, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by 40 CFR 141/Arizona Administrative Code, Title 18, Chapter 4, and/or PWS is not in compliance.		

This compliance status report does not guarantee the water quality for this system in the future, and does not reflect the status of any other water system owned by this utility company.

Appendix “M”

**Park Valley/Fools Hollow and Show Low
(Water Use Data Sheet for Park Valley’s and
Fools Hollow’s Customers for Thirteen Months
Ended November 25, 2011)**

**Fools Hollow Water Company
Docket No. W-02042A-12-_____**

Fools Hollow - Park Valley Water Companies
Water Consumption for 13 Months Ending 11-25-2011

Read Month	FHWC	PVWC	
Nov-10	1,050,993	2,109,773	
Dec-10	967,620	1,976,083	
Jan-11	1,090,949	2,318,424	
Feb-11	945,437	1,888,440	
Mar-11	920,818	1,731,004	
Apr-11	1,818,933	3,371,365	
May-11	1,811,641	3,568,250	
Jun-11	2,556,872	5,039,584	
Jul-11	2,775,983	5,603,835	
Aug-11	1,835,026	3,684,351	
Sep-11	1,997,350	3,941,145	
Oct-11	1,244,634	2,655,452	
Nov-11	989,913	1,950,852	
Totals	20,006,169	39,838,558	59,844,727